

*Agroexports and
Sandinismo: The Political
Economy of Social
Transformation in
Nicaragua (1979-1990)*

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This work is dedicated to the memory of all those Nicaraguans who lost their lives in the revolutionary struggles of the past two decades. It is written in the hope that the freedom, dignity and equality for which they fought, will indeed come to Nicaragua in the years ahead.

Declaration:

This thesis is the original work of the candidate, except where acknowledgement is given in the text, and has not been submitted for a higher degree in this or any other institution.

Edward D. Brown,
March 1994.

Abstract:

This thesis is situated within recent debates concerning the nature of, and prospects for, alternative 'socialist' development strategies in the countries of the so-called Third World, and within the Latin American context specifically. It traces the experiences of the Frente Sandinista de Liberacion Nacional (FSLN) in their attempts to instigate such a strategy in Nicaragua between 1979 and 1990.

The study is primarily concerned with the economic dimension to those experiences and it explores in detail the factors which underlay the descent into economic crisis which characterized the revolutionary years in Nicaragua. Whilst taking into account the disruptive and costly (in both human and financial terms) effects of the Contra War and the incidence of the international economic crisis of the period, the study focuses on an evaluation of the evolution of the FSLN's economic strategies and policy decisions and the various changes in direction which occurred during the course of the 1980s, as the regime responded to the intensifying military conflict and the deepening economic crisis. More specifically, the study provides a detailed analysis of the rationale and performance of the economic and agrarian policies of the FSLN toward the all-important traditional agro-export sector of the economy.

The study is placed in its historical and regional context through a detailed tracing of the origins of the dependence of the Nicaraguan economy upon the export sector, and the social relations which sustained the model of accumulation instigated, and the placing of the Nicaraguan experience within the economic and political crisis which beset the Central American region at the end of the 1970s from which it largely still has to emerge nearly fifteen years later.

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Introduction:

In the years since the triumph of the Nicaraguan Revolution in July 1979 the Central American region has been thrown into the centre of international affairs. Before that period, Western academic interest in the region had been generally limited to a few discussions of the limited agrarian reform programmes and rural development schemes of the 'Alliance for Progress' period¹, a number of specialized studies of the Central American Common Market (CACM) sponsored industrialization of the 1960's and 1970s, and a few pieces on historical themes (such as the search for a trans-isthmian canal route). The 1980's, however, saw an explosion of writing about the region, ranging from journalistic accounts of the Contra-War in Nicaragua, the conflict in El Salvador, or the widespread and horrific human rights abuses in the region, to in-depth analyses of the historical background to the economic and political crisis of the region in the 1980's or the nuances of the Sandinista's attempts to transform Nicaraguan society. This has produced a flood of academic material analyzing the region from a myriad of different perspectives. Discussions of the isthmus, and Nicaragua in particular, have enlightened the study of international geopolitics, agrarian transformation, the processes of socialist transition and social transformation, the relationship between liberation theology and revolutionary marxism, the nature of democracy, and the study of the inter-relationships of the international economy, to mention only the most obvious examples.

This thesis, with the benefit of retrospection, explores the processes of revolutionary transition embarked upon in Nicaragua during the period between the triumph of the Nicaraguan people over the Somoza dictatorship in 1979 and the surprise defeat of the FSLN (Frente Sandinista de Liberacion Nacional) in the elections of February 1990. The experiences of the Nicaraguan revolution in the early 1980s provided a source of inspiration to the 'broad left' throughout the world in its adoption of wide-ranging programmes of social transformation and its brave stand against the US's attempts to batter it into submission. By 1990 a thoroughgoing transformation of Nicaraguan society had occurred (largely through the relative erosion of the power of the dominant classes and

¹ The Alliance for Progress, initiated in 1961, was the brainchild of John F. Kennedy. It represented a massive expansion in US aid and investment to the Latin American region, and was intended to instigate limited processes of social reform, within an effort to limit the attractiveness of the Cuban revolution to the region's poor and repressed (Niess, 1990:173-179).

the creation of a new class of small farmers), although quite to what extent this reflected the intentions of the FSLN's leadership is open to debate (see Dore and Weeks, 1991:4). A wide-ranging agrarian reform had transformed social relations in the countryside through the titling of thousands of individual landholdings, the formation of various forms of cooperatives and the maintenance of a state farm sector. In the initial three or four years there had been an ambitious series of social programmes which had been carried out in large measure through grassroots voluntarism. The major example of this was the 1980 UNESCO-praised literacy crusade, but such programmes also included mass vaccination campaigns, popular housing programmes and the development of primary health care systems. Furthermore, despite their limitations, there were observable developments in the evolution of both representative and participatory political systems.²

By the end of the decade, however, the social achievements of the early years had largely been reversed as the economy spiralled into an unprecedented crisis and, with the electoral defeat of the FSLN in 1990, the 'Nicaragua of Sandino' has fallen from international grace and world headlines. This thesis reflects upon the lessons to be learned from the struggles of the Nicaraguan people throughout the 1980s for those who subscribe to the "*quest for a more egalitarian and less asymmetrical process of development*" (Corbridge, 1991:311). It places the fall from power of the FSLN within wider discussions of the changing nature of socialist influenced ideologies in the 'periphery' and the collapse of the state communist model in Eastern Europe. In particular, however, attention is focused upon the reasons which underlay the descent into economic crisis, and the effects of that crisis upon the hegemony of the FSLN's revolutionary project and the direction of national processes of economic and social transformation. Whilst taking into account the devastating impact of the US funded Contra War and the incidence of the international recession of the period, the study's main emphasis is upon the evolution of the FSLN's development strategies and economic policies. In particular, it is shown how continued economic deterioration culminated in the late 1980s with the necessity of the FSLN imposing a drastic series of economic stabilization measures; the social and political costs of which served to further undermine the level of popular support for the revolution, which had already suffered erosion due to

² See later chapters for in-depth discussions of these themes.

the inconsistencies and unintended effects of the FSLN's original state-centred model of accumulation.

The major focus of the thesis is directed, therefore, toward an analysis of the factors which underlay the descent of the Nicaraguan economy into crisis during the 1980s. A detailed analysis of all of those factors, nonetheless, is obviously beyond the scope of a single thesis, therefore the study specifically directs its attention toward one particular sector of the economy, the all important agro-export sector. The performance of that sector was crucial to the financial solvency of the revolutionary process, since at the time of the revolution, in common with the other Central American republics, the generation of foreign exchange earnings still remained heavily dependent upon the export of agricultural commodities.³ Throughout the revolutionary period, therefore, the performance of the export sector continued to dictate, in large measure, the overall levels of economic growth.

The centrality of the export sector, however, imposed a series of contradictions between the intentions of the FSLN toward the transformation of the exploitative structures of Nicaraguan society and the stability and growth of the national economy. This was because despite the dramatic economic growth that the export-led model of development had produced over the preceding decades, it had done little to improve the position of the great majority of the region's inhabitants, and had actively impoverished large sectors of Nicaraguan society, through the displacement of the nation's largely peasant basic grain producers from the most fertile agricultural lands and the processes of marginalization, semi-proletarianization and informalization it was accompanied by. Thus, although the reactivation of the export sector was to be an economic necessity in the post-revolutionary years (representing the most important means of providing the foreign exchange needed to facilitate the processes of social transformation the FSLN wished to instigate), it would have to be achieved on an alternative basis which did not exclude the majority of Nicaraguans from the fruits of its success. At the same time, however, the previous profitability of the sector was seen as largely based upon the over-exploitation of labour.

Therefore, the desired overthrow of the exploitative relations which had sustained the export-led model were likely to have serious repercussions on the overall profitability of the sector, putting at risk the very transformations the FSLN wished to initiate. The intensification of these contradictions under the

³ For specific figures on the weight of the agro-export sector in the Nicaraguan economy and the problems which this involves see Chapter Five.

combined impact of the collapse of international commodity prices of the period and the onset of the Contra War form the major focus of attention of the study.

The Framework of the Study:

Chapter One provides the theoretical framework for the study by situating it within a detailed review of recent theoretical writings on the subject of 'development.' The approach taken here, whilst recognizing some of the insights of the evolving post-Marxist and Postmodern literatures, can be situated within a broadly defined political economy perspective. As such, the work remains committed to a largely materialist form of analysis; and whilst Marxian claims to exclusivity are rejected, the profound insights which Marxism has to offer with regard to the ways in which whole societies are reproduced and transformed remain central to the study.

In this particular case, however, the society under consideration has been in the throws of a revolutionary transformation, instigated within the long term goal of the establishment of a socialist society (however defined). Much of the framework of analysis applied to the political economy of capitalist 'developing' societies has not been so rigorously applied to states pursuing (or attempting to pursue) other models of accumulation. Indeed, even Marxist analyses, have tended to focus upon the conditions leading to socialist revolutions rather than the dynamics and outcomes of those revolutions. As expressed by Foran and Goodwin (1993:209),

"Most Marxist writing about revolutions has focused on the great question: how to get started? What are the causes of revolutions? There has been much less interest, surprisingly, in outcomes."

Chapter Two, therefore, builds upon the exploration of radical approaches to development geography outlined in the first chapter, through a consideration of the evolution of academic thought regarding the processes of revolutionary change and social transformation in the 'periphery.' Attention is first centred upon the contemporary circumstances facing Leftist governments and political movements in the Latin American context. The two chief areas of concern that emerge from this discussion, those with regard to a) the wide-ranging economic problems faced by socialist regimes and political movements and b) the

relationship between socialist forms of organization and the extension of 'democratic freedoms,' are then discussed in turn, although, given the focus of the study, attention is primarily given to the former. There then follows a brief commentary upon the nature of 'Sandinismo' as a political ideology, as well as an introductory characterization of the economic programme of the FSLN, both of which are discussed in the context of the issues outlined in the foregoing discussion. The exploration of these issues provides a comparative context within which to evaluate the FSLN's endeavours to transform Nicaraguan society and to situate the experiences of the Sandinistas in wider debates concerning the contemporary experiences and future prospects for 'socialist' forms of organization in the 'Third World.'

The rise to power of the FSLN and any assessment of their achievements and limitations must also be placed in their historical context. Chapter Three, therefore, in the context of the theoretical debates outlined in the first chapter, discusses the historical specificity of the development of capitalism in Nicaragua; outlining the processes which have helped to shape the development of the Nicaraguan economy, and, in particular, the rise to dominance of the agro-export-led model (as well as the changing social relations which have characterized it).

Chapters Four to Seven constitute the major part of the study and together compose an extended analysis of the evolution of economic policy and its outcomes during the revolutionary years. Chapter Four first provides a summary and interpretation of the economic performance of the Nicaraguan economy over that period. It details the evolution of the FSLN's economic strategy, its intentions, and the specific policies which were implemented toward the meeting of its objectives. Specifically it details the descent into economic crisis which characterized the 1980s and explores the evolution of economic policy as the FSLN reacted to the deteriorating economic situation. The following three chapters build upon the characterization of Nicaraguan economic policy provided in Chapter Four to consider in more detail the specific experiences of the key agro-export sector. Chapter Five sets discussions of the sector in a theoretical and regional context through an analysis of the major schools of thought regarding externally-oriented development strategies and the problems imposed by high levels of dependency upon earnings from the agro-export sector. It also provides an assessment of the dynamics of the regional Central American model of agro-export-led growth and its descent into economic and political crisis at the end of the 1970s. Taken together these

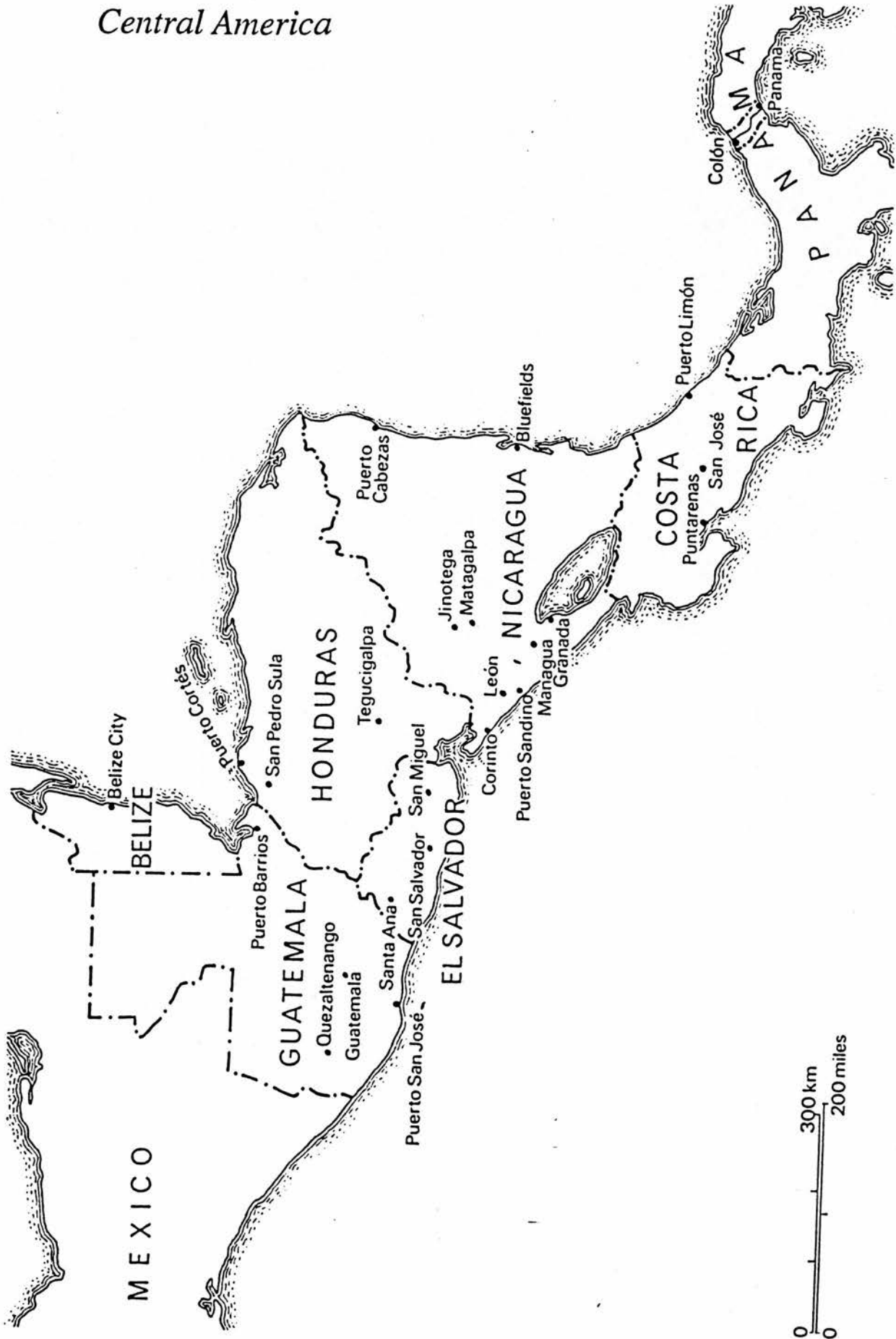
issues provide a framework for the detailed analysis of the evolution of agrarian policy toward Nicaragua's agro-export sector during the course of the revolutionary years, and the social and political transformations that occurred within the sector.

Chapter Six, following a brief description of the dynamics of agro-export production in Nicaragua, focuses upon the performance of the sector during the revolutionary years. The chapter explores the complex interplay between the incidence of external factors (such as the international recession, the collapse of the CACM, and the onset of the Contra War and the US trade embargo) and the evolution of the FSLN's own strategy toward the sector. Analysis descends to a more detailed level in Chapter Seven, through an account of the distinct experiences of the FSLN in four of the major commodities of the sector, specifically, coffee, cotton, beef and sugar production.

Finally, the Conclusion, utilizing the experiences of the Sandinista years discussed in the preceding chapters, returns to the more general themes raised in Chapter Two to offer some interpretations of the experiences of the FSLN and their significance. A few tentative remarks are also directed toward the future prospects for the FSLN and the popular movement in the 1990s in the context of the 'conservative restoration' (Walker, T., 1991).

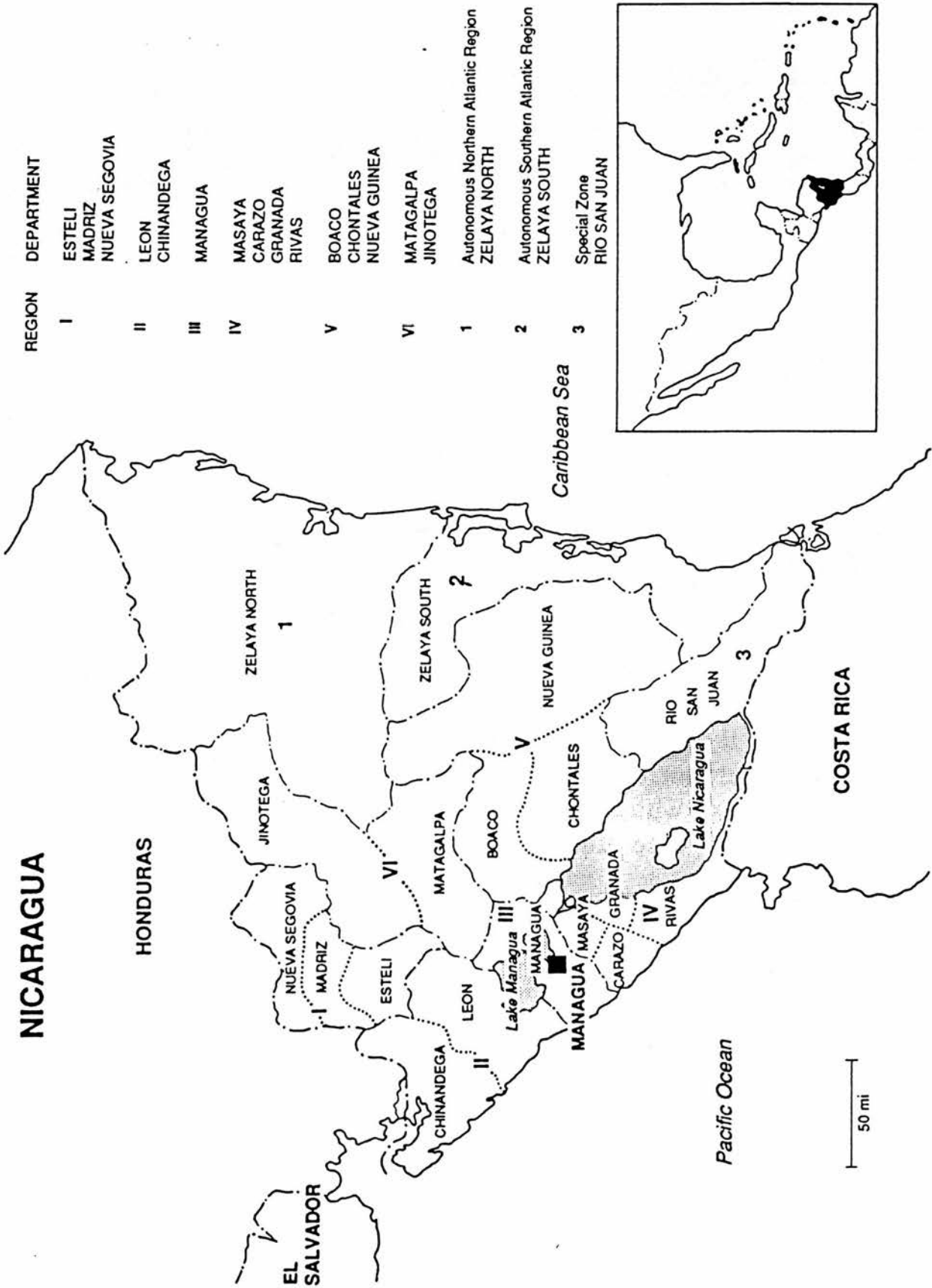
Map 1:

Central America



Map 2:

Nicaragua (Administrative Regions)



Chapter One:

Development Geography: Theory, Methodology and the Research Process

In this chapter the background to the study is considered in more detail through a discussion of its methodological and theoretical aspects. This stems from the premise that any analysis of the revolutionary process in Nicaragua needs to be grounded within a comprehensive examination of the various interpretations of the historical evolution of Nicaraguan society. Furthermore, such a study must also be placed within the context of analyses of the functioning of the global economy, and different perspectives on the relationship between Nicaragua's position within that global system and domestic political and economic developments. This chapter, therefore, reviews the contemporary evolution of geographical thought regarding the processes of 'development' and situates the present study within that context.

1.1 Introduction:

" Back in the 1960s and 1970s, lecturing on development theories was a rather well-defined domain of knowledge transfer. Authors on the subject used to be divided into 'the good' (neo-Marxists), 'the bad' (modernization theorists) and 'the ugly' (the computerized doomsday specialists).....Now, well into the 1990s, things have changed. The good feel bad, the bad feel good, and the ugly underwent plastic surgery." (Frans Schuurman in his introduction to Schuurman, 1993:ix)

The ways in which human geographers, and other social scientists, write about and conduct research on 'development' issues have undergone considerable changes in the past two decades. Probably the most important of these changes relates to the evolution of the theoretical perspectives which have underlain research. During this period the most influential ideas informing research have been the broad range of literatures which might be considered as Marxist. In most social science disciplines, although to differing degrees, neo-Marxist and Marxist theorizing about development have played a key role in placing at the centre of academic concern such factors as; inequalities at national and international scales, the dynamics and contradictions of capitalism as an economic system and a specific form of social relations, and the eurocentric nature of western assumptions about the processes of 'modernization' and social transformation.

Recent years, however, have seen an increasing questioning of the utility of Marxist-

influenced development theories in furthering our understanding of the changing nature of the international capitalist system or the continued manifestation of widespread poverty, repression and inequality. Within development economics, never a stronghold of radical political ideas, the 1980s has seen a marked swing to the political right and the consolidation of the hegemonic position of neoliberal ideas within the sub-discipline (as well as the international financial institutions; see discussions in Chapters 2 and 5, Colclough and Manor, 1992 and Toye, 1987). There has also, however, been a wide-ranging critique of the Marxist perspective which has arisen from within the Left itself, particularly in development sociology and development geography, but also in the field of critical politics.¹ The present work situates itself within these discussions by following a position that is influenced by these developments but remains broadly committed to the utility of Marxist theory in informing the study of 'development.' The following discussion examines these recent debates as they have affected the rationale and practice of geographical research on development themes.

This thesis is written from within the framework of what has been termed 'radical development geography' (Corbridge, 1986). The adoption of a radical perspective toward development issues in geographical studies over the past two decades is reflected in the ways in which academic interest in the issues studied has been matched by a concern for social justice and a commitment to 'progressive' political and economic change.² Thus,

"Radicals refuse to blame homelessness and starvation, the rape of women and abuse of children, the theft of labour and land, hope and self respect on divine providence or unchangeable human nature. Rather, they believe that much of it comes from injustice, exploitation, violence, and organized cruelty that can be eradicated." (Gottlieb, 1992: ix)

or in the specific case of studies of the Central American region,

"I use the term radical to refer to socialist and non-socialist advocates of left-of-center progressive social, political, and economic thought and action..... They (radicals) do not always possess the same ideology but they are linked by an abhorrence of injustice, and by a common understanding of their political and social roles in society." (Liss, 1991:2)

¹ For further analysis of these critiques see; the discussions below, the seminal article by David Booth (Booth, 1985), the various works of Stuart Corbridge (Corbridge, 1986; 1989 and 1990) and David Slater (Slater, 1992a; 1993a), the series of articles collected together in Schuurman (1993), as well as Mouzelis (1988), Sklair (1988), and Vandergeest and Buttel (1988).

² For revelations into the way in which radical approaches became influential in Geography in general, see what has been termed the 'relevance' debate in *Area* during the early 1970s, the evolution of *Antipode* as a forum for radical ideas and Richard Peet's (1978) *History of Radical Geography*.

However, in the critical tradition of Marx, radical geographers have combined a concern for the oppressed with a commitment to the development of coherent theoretical frameworks for understanding the evolution and contemporary dynamics of the structures and processes of the international economy and individual nation states. Thus, it should be stressed from the outset that this thesis is written from a perspective that welcomes, and indeed celebrates, the Nicaraguan Revolution's triumph over the Somoza dictatorship and one that is broadly supportive of the efforts of the FSLN to transform the basis of Nicaraguan society and overcome the inequalities and repression of the past. On the other hand such a supportive perspective does not infer an uncritical view of either the intentions or the practice of the actions of the FSLN during their years in power in Nicaragua. The study seeks to provide a coherent analysis of the direction of the Nicaraguan revolution, in terms of the evolution and outcomes of economic policy in the agro-export sector, in the light of the goals of social transformation inherent within the revolutionary project. Such a position introduces the theme of the relationship that the individual researcher has to the research process. An issue which, in terms of the conducting of research in distinct cultural settings, is attracting an increasing amount of attention from academics.

1.2 The Researcher and the Research Process:

In a recent piece in the journal *Area* James Sidaway briefly addressed some of the important personal (and wider political) issues that need to be explored in relation to the carrying out of research in different cultural circumstances (Sidaway, 1992). His timely article has instigated (or rather rekindled) many much-needed debates about the conducting of research, the relationships between the observer and the observed, and the 'positionality' of the researcher him or herself (see Potter and Unwin, 1988; Crittenden, 1988; Crush, 1991; Madge, 1993; Potter, 1993; Sidaway, 1993; and on the role of foreign and Latin American intellectuals in that region see Petras, 1990; Liss, 1991; Vilas, 1990 and Petras and Morley, 1992: chapter 7).

These debates have centred upon several themes. Madge (1993), for example, comments in some detail on the importance of gaining a better understanding of the key significance of the role of the researcher in the research process (a theme she suggests was somewhat underplayed in Sidaway's article); and the need for us as individual researchers to recognize how our identity (as multiple-selves) inevitably influences, in a multitude of different ways, the nature of the research that we are engaged in. Whilst concurring completely with Clare that a consideration of the

"role of the researcher in the research process...through a consideration of 'boundary disputes' (in both political and psychoanalytical terms), may have an important role to play in the 'political' debate." (Madge, 1993:294-295)

it is my intention here to concentrate on some of the wider 'political' issues concerning our role as researchers (and teachers) concerned with 'Development' issues and the unequal global (and local) power relations within which we function.

In his brief article Sidaway was unable to enter fully into a discussion of the distinct issues that are involved in the conducting of different types of research activity or the various agendas involved in working in different countries or particular localities. It is, nonetheless, important to be aware that it is not just the implications of the new position towards the *"top of a (different) social hierarchy"* (Sidaway, 1992:403) in which we find ourselves when engaged in research in some hypothetical 'Third World' society which needs consideration, but also the fact that such a position will have differing significance, and different implications for the direction of research, in diverse cultural and spatial settings. The relationship that the individual researcher has to foster with governments, NGOs, political parties, social movements and all manner of individuals and the specific nature of each of those in distinct cultures and localities, will all influence the information which is available to the researcher, how it is collected, and the way in which it is viewed. This is unavoidable in any research and there is no suggestion here that there is some magic formula for obtaining 'objective' truth; as we are becoming increasingly aware, all of our knowledge and understanding is subjectively constructed. The issue instead is to accept this and to be aware, not just of our own forms of interpretation (mediated through our existence as 'multiple-selves') but also of the effects of our involvement in the specific social formations and political cultures in which we find ourselves; without, however, losing sight of the political power structures which inhabit and constrain those formations and cultures and our relationships within them.

Thus, although we might accept that, as Western academics, we are, as Sidaway suggests, practically an international class, we must also recognize that, 'in the field,' our class position is differently constructed in the specific contexts of the many diverse societies in which we work. To understand this we need to emphasize, not only the broad distinctions between 'First' and 'Third' worlds, but also the need to develop a greater sensitivity to the differences between the various places in which we work, according to culture, social structure, gender relations etc. To illustrate this I only need to point out that there are more differences than similarities involved in the position of a researcher carrying out an in-depth anthropological village study in Ghana and one carrying out a broad political economy of the formulation of economic policy in

revolutionary Nicaragua.

All of the above should not be seen to negate the importance of the unequal global power relations within which we all exist and function but rather suggests that it is more important to be aware of their local manifestations and our position in the local political struggles which they encompass. Again concurring with Clare Madge, I would, therefore, suggest that *"it is unlikely that the power relations involved in doing research in the Third World will be displaced."* (Madge:1993:297). Given the conditions which dictate how we end up carrying out research in the 'Third World,' and the nature of the 'academy' within which we exist, we shall continue to have to work within the 'them' and 'us' distinction which Sidaway so rightly deplores. This does not mean, however, that we can have no political role in our activities (and we all have one whether it is implicitly recognized and thought through or not) but we must recognize that we have to work within the existing global and local power relations. Nevertheless, as Clare Madge (1993:297) argues, we have the opportunity to be involved in challenging the systems which determine those relations in the specific localities where we carry out research.³

Another important aspect to these debates concerns the way in which research findings are disseminated, and also with whom, and where, we discuss our research; both in terms of the specific implications of our own work, and the ways in which we couch debates about theory, significance and meaning. Far too often the groups involved in political links with 'Southern' popular organizations, or those campaigning for wider political changes at an international level, tend to see the world as a somewhat naive dichotomy between 'first' and 'third' worlds. There is no doubt that as academics we have been guilty of these oversimplifications for long enough, hence such a comment is not meant to be judgmental in any way. What it is important to stress, however, is that academic efforts which are presently emerging into deconstructing these received categorizations, and the images associated with them, (see the excellent series of articles in Sachs, 1992 and chapter six of Hall and Gieben, 1992) need to be occurring at a far wider level. Far too often what are in fact extremely important debates about political action and understanding end up as academic exercises in navel gazing.

Of course the debates concerning these issues are much more widespread than this brief consideration has been able to encompass, nonetheless, their importance has

³ As an illustration any researcher working in Nicaragua during the 1980s found themselves at the centre of intense political disputes regarding the effects of government policy - as the Sandinistas, the internal opposition groups and the US Administration waged a bitter ideological struggle over the ways in which the revolutionary process was depicted both nationally and internationally. Struggles within which the researcher often found themselves embroiled.

been raised. The relations between popular organizations in Central America, the Western solidarity organizations and the academic community with research activities in the Central American region provide a good illustration of the issues which have been raised. The Sandinista revolution marked a rapid expansion in academic activity in the region, with a number of radical Western academics working in the various government ministries in Nicaragua (as well as other non-governmental research institutions), and, over time, strong political links between Western solidarity and human rights organizations and the popular movements in the region were developed and consolidated. In particular, academics and the solidarity organizations formed strong relationships with the Sandinista government and the former informed many government sponsored research programmes.⁴

It was particularly interesting being in Nicaragua at the time of the FSLN's electoral defeat in 1990, and to observe the reaction of the various academics, activists and 'internationalistas' (myself included), to the election results. I remember particularly vividly a meeting I attended just a few weeks after the elections, at which representatives from many different countries, many of whom had been working in Revolutionary Nicaragua for many years, met with several of the commandantes of the FSLN. Many of the former expressed positions which they felt they had been unwilling or unable to express previously when the Contra War was at its height and when the FSLN were still in power. During those difficult years it had often appeared that to criticise the government was to give in to the US aggression in some way. In addition, others had felt that it was their role as outsiders to support the FSLN unequivocally rather than to offer critical advice, which to them smacked of cultural imperialism. In some ways, despite the considerable confusion that has existed amongst those 'outsiders' who had supported the Sandinista Revolution, since the defeat of the FSLN in the 1990 elections, that defeat has at least transformed and restructured the relationships between the various strands of the academic community, international NGO's and the solidarity community and the popular movement in Nicaragua, opening the relationship and often diversifying the links which had been established.⁵

⁴ Many of the participants in the debates about agrarian structure, which had great influence in informing the evolution of FSLN policy toward the sector, were foreign academics. Some originating in other Latin American countries such as Eduardo Baumeister and Carlos Vilas, with others coming from the US and Europe (especially those from The Free University in Amsterdam who were heavily involved in the National Autonomous University's (UNAN) Department of Agricultural Economics (see the discussions in chapter six for an evaluation of those debates).

⁵ I do not have the time to go into all of these changes here but the interested reader might like to consult an unpublished paper of mine, Brown (1993), or Quandt (1993), or recent articles which have appeared in *Envio*, *Barricada internacional*, *NACLA Report on the Americas*, *Latin American Perspectives* and *Central America Report*. Basically, in the same way as the electoral defeat had led to a restructuring of the relationship between the FSLN and the popular movement within Nicaragua,

1.3 The Evolution of Geographical Theory:

Geographers were late in taking on board the concerns for more rigorous theorization which had characterized many of the other social science disciplines during the 1950s and 1960s. Toward the end of that period, however, one can discern a marked transformation in the way that geographers in general viewed their discipline and the role that geographers played in both the wider academic community and society at large. There were two basic elements to this transformation; firstly, changes in the theoretical underpinnings of the discipline and the methodology of research and, secondly, the political context of research. With regard to the former, the post-war period had seen geographers increasingly look beyond traditional descriptive regional studies to, through the increasing adoption of quantitative methods, a concern for interpretation, causality and model building. In the 1960s these trends were consolidated through the growing depiction of geographical research as spatial science and human geography as the spatial science of modelling human spatial behaviour (Cloke et al, 1991:12-13). Thus, instead of simply describing the differences between regions, human geography became concerned with the application of scientific method (through quantitative statistical analysis) in the search for explanation of the spatial relations of phenomena.⁶

Ironically geographers had taken on board the positivistic philosophy of spatial science at a time when such perspectives were becoming increasingly outmoded in the wider academic world. Thus, over time, the theoretical underpinnings of this 'new' spatial science began to be questioned (Livingstone, 1992:321). Cloke et al (1991) in their insightful survey of the major theoretical debates within contemporary geography

through the increased autonomy of the trade union movement, the communal movement, and other grassroots organizations (such as those women's organizations outside the FSLN sponsored Asociacion de Mujeres Nicaraguense Luisa Amanda Espinosa (AMNLAE) and the environmental movement), the international 'solidarity' movement has moved beyond its somewhat uncritical support of the FSLN to consolidate links with grassroots organizations. For a perceptive discussion of the problems of the relationship between supportive academics and the FSLN, written before the electoral defeat, see Dunkerley (1988:226).

⁶ It must be stressed here that inherent in any discussion of theoretical developments in a discipline such as geography is a tendency to present the evolution of ideas as if they occurred in a relatively smooth progression and that one perspective basically replaced the one that had previously dominated. Neither of these premises are correct. The evolution of ideas is chaotic, individual researchers often remain unaffected by the evolution of theoretical ideas, others are influenced by new ideas but try to incorporate them into the perspectives from which they have traditionally written. In the case of the history of geographical ideas explored here many authors continued producing traditional regional geographies, unaffected by the demands for a systematic approach to research. In the case of the evolution of broad theories of development explored below, new perspectives have been added to traditional economic growth theories and functionalist sociological theory, but this does not imply the eclipse of the latter two. Indeed the influence of Neoliberal thought in the 1980s could be interpreted as a resurgence of a rejuvenated form of modernization theory. The following discussions must be viewed within such a context.

outline the substance of this critique. Firstly, it was argued that, the idea of spatial science as a form of natural science created the false impression of objectivity and 'value neutrality'; that somehow observers could be separated from the social phenomena that they investigate. Livingstone suggests that it also imposed strict limits on moral reason,

"Spatial scientists.... sought to uncover (using algebraic codes) a few fundamental axioms by which the patterns and processes of human interaction could be explained. Similarly utilitarians had, for long enough, sought to evacuate language of value judgement and to replace it with a formal calculus." (Livingstone, 1992:328)

Secondly, the scientific analysis of spatial patterns and processes tends toward the abstraction of empirical observations from, both the deeper economic, social and political structures which condition and constrain human existence, and the ways in which those empirical phenomena are the reflections of the perceptions, intentions and actions of 'human beings as conscious agents' (Cloke et al, 1991:14).⁷ From the late 1960s the concerns about the philosophical basis of the new geography emanating from the critiques of spatial science spawned a wide range of possible directions for alternative theoretical frameworks within which to conduct geographical research. For our purposes, the most important of these was the development of a radical Marxist approach to geography which attempted to overcome the 'disregard for the deeper structural conditions of social existence contained within the spatial scientific agenda' (Cloke et al, 1991:16).⁸

The 1960s were also a period of great political change in the academic community. Many of the young scholars entering the discipline during those years questioned the relevance of the work which they were engaged in to the political struggles of the day. Thus,

"This focus on the broader determinants ... of spatial patterns (the deeper economic, social and political structures) coalesced with a growing critique of the relationship between geographic research and the broader world; (leading geographers) to question earlier assumptions about the purpose of

⁷ It should be noted, however, that "Many of these weaknesses and problems have subsequently been recognized by proponents of spatial science, who have taken on board a more conscious recognition and evaluation of the philosophical implications of scientific methodologiesCox (1989, p.208)...cautioned against excessive dependence upon both models for their own sake and large data sets as the route to scientific explanation, worrying that 'too much research in the Brave New World will be guided by whatever data happen to be readily and copiously available.'" (Cloke et al, 1991:14).

⁸ The other major direction of research was toward a more 'humanistic' geography based on the study of 'agents' rather than 'structures', on the role of individuals in society, their actions and the meanings attached to them (Johnston, 1989:62). Many of the most important theoretical controversies in Geography during the years which have followed have related to the attempt to unify the more structural approaches with the 'hermeneutics' of the more humanistic approaches.

geography and its connections with government objectives. Not just the content but also the intent of geography became a matter of some debate.... In this way Marxist approaches developed an early emphasis on grounding geographic research in the material conditions of existence." (Cloke et al, 1991:16)

The experiences of geographers concerned with 'development' issues have mirrored some of the facets of the evolution of mainstream geography considered above (for further and more detailed discussions of the evolution of mainstream geographical theory see Cloke et al, 1991; Livingstone, 1992; Johnson, 1985, 1986 and 1991; Gregory, 1978; Macmillan, 1989; Kobayashi and Mackenzie, 1989; Peet, 1978 and chapters in Peet and Thrift, 1989 and Gregory and Walford, 1989). The ways in which geographers have approached 'development' issues have also undergone considerable change over the past two decades. In general these processes have represented an increasing concern to theorize the continuing high levels of international inequalities as well as national processes of development, the reasons for the success and failure of economic strategies, the social and political effects of 'modernization' and the linkages between the international and the national.

When the discipline finally consolidated itself as part of the corpus of new modern sciences at the turn of the century it was on the strength of its position as an imperial science. The evolution of geography into its regional-descriptive form, with its emphasis upon exploration and the classifying and evaluation of resources, had been well suited to the needs of the imperial project and the direct connection to imperial activities continued with the development of geography in the first part of the twentieth century (Hudson, 1977 and Forbes, 1987:25). However, despite these origins, for the most part of the twentieth century, geographers have hardly placed central importance upon the study of the non-European world. By the time of the Second World War, and during the following decade attention to such issues was largely confined to the production of large and detailed regional geographies. Most work carried out by geographers on the Non-European World continued, until the late 1960s, to be devoid of any clear attention to theory and did not fit into any definable school of thought. Instead there appears to have been an almost conscious decision to steer clear of the major theoretical undercurrents and 'concentrate on broad questions traditionally defined' (Forbes, 1987:57).

Gradually, however, during the 1960s there occurred an increasing questioning of the theoretical vacuum in which development geographers worked. This reflected the growing concern for the development of the systematic side of geography, the analysis of processes and causality rather than the simple description of regions, that

characterized the discipline as a whole during that period. Development geographers began to utilise the 'number-crunching' and spatial science of the quantitative revolution to search for 'scientifically' testable laws and patterns with which to chart the processes of modernization. Researchers at the time spoke of finding, in the development of spatial models used to back up the claims of the major theorists of modernization and the stages of economic growth, a framework,

"which would tear development geography away from its suffocating dependence on a 'predominantly idiographic approach' (Keeble, 1967:245)" (Corbridge, 1986:5)

As suggested by the above, those development geographers interested in applying the 'new geography' to development issues looked first for models of causation to the orthodox theories of economic and social development theory; the stages of economic growth theories and functionalist sociological (or modernization) theory. During this period, therefore, within an effort to affirm the logic of the linear stages model of economic growth or the social transformations involved in societal modernization, geographers modelled and statistically analysed such factors as; the spatial diffusion of new technologies or 'modern' amenities, the optimum human carrying-capacity of particular regions or the role of growth-poles in facilitating 'trickle-down' processes in regional economic development (Corbridge, 1986:5).

This growth of interest in theoretical issues amongst development geographers, however, occurred at a time when the central tenets of both the linear stages model of economic growth and functionalist modernization theory were coming under sustained criticism in other fields. This, together with the increasing radicalism of geographers, meant that geographer's flirtation with these theories was short-lived.

1.4 Marxism and Development Geography:

During the period from the beginning of the 1970s until the mid 1980s Marxist inspired theories of development became the most influential perspectives in geographical studies of development. Positions informed by Marxist analysis were the most influential of the critiques of both traditional development geography and the new quantitative approaches. In fact, after the field of Marxist urban studies, development geography was probably the most important arena in which Marxist approaches gained a foothold in geography. Their influence on the subsequent evolution of development geography has transformed the way that geographers think about development issues;

in ways, that for me personally, appear to have been productive, stimulating and contextual.

Marxist ideas had infiltrated into development geography through the popularizing of the neo-Marxist writings of Gunder Frank which had grown in influence in the wider academic debates about development during the 1960s. Over the following years, drawing upon critiques of Frank being articulated by more orthodox Marxists in wider debates within development studies, geographers began to engage with a number of different Marxist perspectives, particularly through the work of David Slater (see Slater, 1973 and 1977). The most influential of these perspectives was the structural Marxism associated with the writings of Louis Althusser (see Resch, 1992). Many of the debates that have occurred since, both within Marxist influenced development geography and between Marxist theoreticians and others in the radical school, mirror those that have occurred within the wider field of development studies and it is to those wider debates which we now turn. It is interesting to note, however, how development geographers have evolved from the theoretical vacuum in which they worked before the 1960s, through a stage where geographers became consumers of theoretical developments in other fields (firstly through exposure to the empiricism and positivism of the quantifiers and secondly in the opening of the discipline to the influence of radical social theory) to a position where today geographers involved in theorizing development are contributing actively to the advancement of theory through the innovative work of scholars such as David Slater and Stuart Corbridge.

1.5 The Contribution of Marxism to Development theory:⁹

Marxism had entered (or more accurately re-entered) academic debates about development during the 1960s in the form of ideas developed from the neo-Marxism of Paul Baran which had been developed and popularized by Andre Gunder Frank. Frank's writings were part of a powerful critique, mainly emanating from Latin America, of the conservative and misguided nature of the then dominant forms of thought about 'development.'

The idea of 'development' had been reborn¹⁰ in the period following the second world war as the colonial powers began to pursue a more developmental, or modernizing, approach to the administration of their overseas territories in Africa and Asia, and the

⁹ It lies far beyond the scope of this chapter to attempt a detailed examination of the evolution of development theory and, in particular, the emergence of dependency theory and the expanded influence of Marxism. This section can only briefly outline the major facets of these developments. For more extended treatments see any of the burgeoning number of development textbooks and, in particular, Kay (1989), Hettne (1990), Hunt (1989), Larrain (1989), Roxborough (1979) and Lehmann (1990).

¹⁰ For a discussion of the origins of the concept of 'development' see the first chapter of Larrain (1989) and Heffernan (forthcoming).

colonies themselves began to achieve independence. In addition the successes of the Marshall Plan in Europe suggested the plausibility of initiating economic growth through large injections of capital and heavily state directed economic programmes; ideas which, it was then suggested, could be applied to the transformation of Latin America, Asia and Africa. These factors meant that the ideas of progress and modernization were placed at the centre of international concerns and a new discipline of 'development' studies, based around the emerging idea of the 'Third World,' began to take form.

The ideas which underlay the development of the new theorizing about development were largely based on two bodies of theory. The paradigm of the expanding capitalist nucleus (emanating from the new development economics sub-discipline)¹¹ and the structural functionalist approach to modernization which was reflected in the growth of theories of modernization in sociology and politics. Common to both of these bodies of theory, and they have often been presented as synonymous, was the idea of development, or 'modernization,' as a universal linear progression through a series of stages from a traditional (or undeveloped) society to modern (or developed) society. A transition largely based upon the experiences of western nations. Modernization theorists thus looked to the experiences of the development of Western capitalism to provide indications of which norms and institutions were likely to impede, and which facilitate, development in the emerging countries of the Third World. In sociology authors such as Bert Hoselitz attempted to apply the theories of Talcott Parsons regarding the different roles and social relations in traditional and modern societies (Parson's pattern variables), in the development of a series of indices which could characterize the changing nature of social relations in developing countries. Once these norms were theorized then the process of modernization could be characterised as the progressive expansion of those roles conceptualized as 'modern' and the contraction or erosion of those labelled 'traditional'. The task for modernization theorists was, therefore, to explain how such transformations occur and how they could be best facilitated.¹² In economics similar characteristics, but in this case in terms of the appropriate forms of economic organization, were searched for, and much early

¹¹ For a particularly illuminating discussion of the evolution of development economics as a separate sub-discipline of economics see Leeson (1988). Other accounts include Hunt (1989:41-64, 86-112) from where the concept of the expanding capitalist nucleus is taken, J.Toye (1987), Hirschmann (1982), Pomfret (1991:i-46), Seers (1979), Ranis and Fei (1988), Stern (1989), Wilber (1986), Rosen (1983) and Killick (1986)

¹² For further and more detailed discussions of the ideas underlying modernization theory and its relations with development economics see Hunt (1989: chapters 2 and 4); Hettne (1990:27-75); Roxborough (1979:13-41); Peet (1991:21-42); Larrain (1989:chapter 3) or for the original authors themselves see Hoselitz (1965), Lewis (1955), Parsons (1951), McClelland (1961), Rostow (1960) and Eisenstadt (1973).

theorizing in the field was devoted to identifying the most important internal barriers to economic growth which impeded developing countries from following the same stages of economic modernization which had occurred in the industrialized world.

These essentially eurocentric ideas had not been without their critics but it was not until Frank synthesized the work of Latin American structuralist economists (on the specific problems of Latin American development) with the global neo-Marxist analyses of Paul Baran and postulated 'a model of underdevelopment', that one could begin to talk of the development of an alternative body of theory in development studies as a whole. Frank's work, rather than placing the reason for the persistence of underdevelopment in the relative backwardness and lack of modernization of developing societies, argued that underdevelopment was an inherent outcome of the functioning of the international capitalist system, and that the possibilities for development (or the lack of them) in those countries were conditioned, if not determined, by their insertion into that system. This system was characterized by a dualistic dichotomy between the countries of the core and the periphery; with the wealth and affluence of the former seen as historically dependent upon the exploitation of the latter. To this way of thinking, therefore, poverty and underdevelopment in the periphery were not related to the traditional or backward nature of such societies but rather to their early incorporation into an international capitalist system which had plundered their resources, appropriated their economic surplus and instigated, as Frank (1969) called it, the development of underdevelopment through which they were condemned to economic stagnation.

Theories of modernization were thus attacked by Frank, and other authors in the rapidly ascending dependency school, for their lack of attention to; historical realities such as the legacy of colonialism and the inequitable nature of international economic relations, the vastly transformed nature of the international economy facing 'latecomers' in contrast to the position which 'pioneers' had faced in the development of industrial capitalism in the West (terminology used by Bell, 1989) and the political implications of their analyses. In this way such thinking challenged the idea that Third World societies would basically go through the same or a similar series of stages as the Western economies in their transition towards modernity. Instead it was argued that analyses would need to be historically situated and that

"The diffusionist model of modernization theory must be rejected and replaced by a historically oriented, holistic political economy approach; that the diffusion of capital, technology and culture from the capitalist centre to the periphery should not be conceived of as an ahistorical, 'disembodied' process taking place in a vacuum." (Mouzelis, 1988:23-4)

Frank's ideas gained currency at a time when the global post-war economic boom was beginning to run out of steam and a period when the continued existence of, and even extension of, poverty in the countries of the Third World, despite the experience of two decades of rapid economic growth was beginning to be recognized. In this context the popularization of Frank's ideas, and an engagement with a whole range of innovative theorizing about development, emanating from the Latin American dependency school more widely, instigated a welcome shift in the study of development, away from the search for internal obstacles to 'progress,' towards a consideration of the insertion of peripheral economies into the international capitalist system and the ways in which this distinguished them from the experiences of the Western powers.¹³ This engagement with dependency theory revolutionized thinking about development in the 1970s. The promulgation and development of the approach by Latin American scholars countered the eurocentric assumptions of modernization theory and the whole arena of the debate about development was radically politicized.

Despite the advances of dependency theory over the previously dominant approaches Frank's ideas came under attack from a number of sources and from a number of different perspectives. At an empirical level the stagnationist argument of the dependency framework was countered by pointing to the lack of statistical evidence for surplus transfer (the chief mechanism of the transfer of resources from the periphery to the core postulated by Frank and exemplified in the work of Emmanuel) and the undoubted economic advances that had been made in certain countries. The most stringent attacks on the perspective, however, came from within the radical field, and in particular, represented the reaction of more orthodox Marxists to the neo-Marxist elements of the dependency approach which were notable in the work of Frank in particular. It was argued that dependency suffered from a number of fundamental weaknesses. Firstly, there was the suggestion that dependency analyses suffered from a tendency to define underdevelopment as a lack of sustained industrial

¹³ It should be noted that although Frank's interpretations of dependency, and the discourse of the 'development of underdevelopment' with which he has been associated, have been the most widely discussed of Latin American theories of development, many have suggested that his work is particularly deterministic and over-generalized. Often when dependency analyses have been subject to critical commentary it has been undertaken through a brief cursory review of Frank which is then generalized to encompass all dependency writings. Many of the works referred to below offer much more in depth treatment of the evolution of the dependency perspective. Cristobal Kay in particular (Kay, 1989) offers a remarkable study of the diversity of Latin American thought which includes consideration of the work of a great variety of the region's scholars including: Osvaldo Sunkel, Raul Prebisch (never really a 'dependista' but incredibly influential on the direction of academia in the region), Fernando Henrique Cardoso, Anibal Pinto, Celso Furtado, Ray Marini, Theotonio Dos Santos and Anibal Quijano.

growth, but at the same time, they ascribed the causation of said underdevelopment to the same lack of sustained growth, leading to an unhelpful cycle of tautological reasoning that led nowhere (Vandergeest and Buttel, 1988:684). In a similar vein, Frank's analyses of capitalism as an international system rested upon the definition of capitalism as an international system characterized by production for an international market. Authors such as Brenner (1977) and Laclau (1971) argued that such a definition was rather unhelpful and that to consider capitalism simply as the engagement in market relations robbed the concept of any explanatory power. Instead they argued that capitalism should be conceived of, as had originally been argued by Marx, as a particular mode of production encompassing specific relations of production (namely the separation of direct producers from ownership of the means of production through the commodification of land and labour). The circulationist logic of much of dependency theory also had the effect of limiting the specificity of analysis. Thus, if the problems of underdevelopment were seen to lie, in the last instance, within the workings of the international economy and the extraction of surplus from the periphery, then analysis tended to focus upon the functioning of that 'system' in search of a global explanation for underdevelopment. This was unfortunate because the neo-Marxist position could logically have allowed for the identification of historically specific incidences of dependency in particular forms in different places. As Mouzelis (1988:26) again argues;

"From the neo-Marxist point of view, the process of diffusion is understandable only if located within a matrix of domination/subordination relationships.... operating at both the national and the international level.... One would expect as a logical outcome..... a research strategy, stressing context in terms of space and time, a research strategy that ceases to treat the Third World in blanket fashion and draws attention to the enormous complexity and variation of the various countries of the so-called Third World. Instead of this, the neo-Marxist dependency tradition has proffered a plethora of theories which; in their attempts to account for the development or lack of development of the Third World as a whole, repeat some of the very mistakes that the neo-evolutionists committed in the early fifties."

Secondly, it was argued that dependency theories tended to be overly economic with factors such as class relations, the nature of the state and ideology seen as fundamentally determined by the needs of metropolitan capital. Frank in his later works went some way toward meeting these criticisms by claiming that his work was meant to complement class analysis rather than replace it. However, as Larrain (1989) argues, on the one hand he tries to emphasize the participation of different classes in the determination of historical processes but, on the other, he still maintains that class political practices are determined by the dependence of peripheral countries upon the

imperialist metropolis. In addition the dependency position was characterized as being stagnationist in that it argued that the only possibilities for development rested in withdrawing from integration into the international economy and pursuing a more autarchic approach to development. Frank's avowal of this position was based upon analyses of the growth of Japan and the progress made in certain Latin American countries during the two wars and the great depression when their links to the global economy were particularly weak. As Corbridge (1986:43) argues, Frank's perspective ignores a couple of important issues underlying the phenomena he seeks to explain. Firstly, he negates the importance of domestic factors in producing the trends he notes, and secondly, he fails to explain how economic growth was achieved under very different international conditions during the post war period, above all by the successful industrialization of the Asian Tigers (the newly emerging industrial nations of South East Asia). The slightly more flexible World Systems approach of Immanuel Wallerstein did go some way toward modifying the Frankian approach to enable it to deal with these successes through the addition of what he termed the semi-periphery to Frank's dualistic core-periphery model.

One final point related to the political significance of the dependency school. By negating the possibilities for sustainable and independent capitalist development in the periphery Frank in particular fell into the trap of postulating a false dichotomy between underdevelopment and socialism. Even if Frank's analysis of capitalist development as untenable in the periphery was accurate there is nothing in his analysis to suggest that an autarchic form of socialist development which he suggests as an alternative to dependency would provide a valid route to more sustainable and equitable development. In fact the influence of Frank's ideas on a whole generation of Latin American revolutionaries led to the rejection of the more orthodox Marxist position on the need to encourage national bourgeois revolutions as a necessary first step on the road to socialism. The implications of this are considered in more detail in the following chapter. The perceived inadequacies of the dependency framework detailed above served to stimulate an increasing engagement with a variety of other Marxist perspectives.

Bill Warren (Warren, 1980) in particular argued strongly for a return to what he saw as Marx's original emphasis on capitalism as an emancipatory rather than a regressive economic system, suggesting that, whilst capitalism would eventually be superseded by socialist organization, when it collapsed under the weight of its own contradictions, there could be no socialist substitute for the capitalist stage of development. He argued further that Frank's depiction of capitalism as imposing economic stagnation and 'underdevelopment' was dangerously naive and misplaced and that the dynamism of

the spread of capitalist relations had, in many 'developing countries, produced impressive levels of industrialization in the post-war years. The continued existence of poverty and underdevelopment was related to the perseverance of pre-capitalist social relations and the lack of capitalist development, rather than any recessive effects necessarily imposed by capitalism as an economic system per se. Although Warren's work was welcomed by some for its attack on the simplistic assumptions of dependency theory it was quickly recognized to be as ahistorical as the accounts it so vigorously denounced. The problems of underdevelopment could not simply be expressed as the failure of capitalism to take root in developing countries. In essence Warren's arguments were not far removed from those of the modernization theorists. Other Marxist scholars also argued that underdevelopment was related to the perseverance of pre-capitalist social relations but articulated theories of much greater theoretical complexity than the somewhat economistic and over-determined perspective of Warren and other similar Marxists (such as Sender and Smith, 1986). These theorists were concerned with the articulation of the capitalist mode of production with various pre-capitalist modes and how, under certain conditions, the survival of those pre-capitalist forms was functional to the needs of the capitalist sector thereby warping the processes of development and in some cases promoting stagnation.¹⁴ One of the main advances of this approach was that, through the influence of the work of anthropologists such as Philippe Rey (1976), attention was turned away from the global theorizing, characteristic of the dependency approach, to national and local studies of the articulation of these different modes of production in the search for the historical processes which underlay underdevelopment (Ruccio, 1986). Debates rose concerning the different ways in which various pre-capitalist modes co-existed with the capitalist, and how functional the latter were to the former. One of the major benefits of the local level of much of this type of analysis was that it offered fruitful analyses of the specificity of different social forms and in particular challenged the characterization of the peasant producer as operating according to the logic of capitalist producers (Schuurman, 1993:7)

What set the more traditional Marxist approaches apart from the neo-Marxism of Frank et al was the centring of analysis upon production and class relations rather than the sphere of circulation, and at the national level rather than the global (although the

¹⁴ Apartheid is suggested as one system where the needs of capital were apparently served by the maintenance of an exploitative racist social system rather than through the consolidation of labour commodification. Another example comes from De Janvry (1981) who sought to explain the deficiencies of Latin American agricultural development through the way in which the commercial agricultural sector was guaranteed access to an ample supply of poorly remunerated labour from the peasant sector which proved functional to the profitability of the sector and discouraged further labour commodification.

importance of international factors was recognized). Thus attention was focused upon the articulation of different modes of production, the analysis of the nature of the peripheral state and the historical development of class relations. This rejuvenated Marxism introduced a theoretical rigour to the study of the development process in particular countries based upon the conceptualisation of the structures of societies and the ways in which they were transformed and on a political level offering the possibility for much more informed and sensitive analyses of the prospects for local opportunities and struggles (Corbridge, 1986:60-61). Another strand of Marxist theory attempted to explain the international phenomena noted by dependency theorists through the nexus of international class analysis rather than the sphere of circulation favoured by Frank. In this way they suggested the existence of a New International Division of Labour which could explain the development of the NICs through the changing needs of metropolitan capital (these arguments are considered in detail by Jenkins, 1987: chapter 2)

1.6 The Impasse in Marxist Development Theory:

Despite the advances in understanding achieved through the adoption of the more orthodox Marxist approaches; when David Booth expressed a concern that Marxist development theory had reached an impasse, from which it was unable to free itself without radical transformation, he was expressing the fears of many authors (Booth, 1985, for follow up articles see Sklair, 1988; Mouzelis, 1988; Vandergeest and Buttel, 1988, Corbridge, 1988 and 1989 and the collection of articles in Schuurman, 1993). Despite the advances made in terms of recasting the academic agenda of the study of development toward the analysis of the effect of differential levels of development at a variety of scales and the challenge made to the assumptions of mainstream development theory, Booth claimed that there were a number of inherent weaknesses within Marxism as a theoretical framework which were not only to be found in the neo-Marxist accounts but also the more traditional structuralist Marxism considered above.

Firstly, it has been argued that Marxism in all of its forms is overly economistic in nature; a claim which Marxists had themselves used to attack the dependency perspective. There has of course been a common conviction, within Marxist theory as a whole, of the importance of the economy in shaping the nature of society in general. Few would contest the fact that the economic sphere has been of significant importance in the determination of development processes. In certain cases, however, this has been interpreted in a crude mechanistic way whereby the political 'super-

structure' and social formations are seen as being strictly determined by the economic base. This finds expression in the modes of production literature described above. Thus Gottlieb (1992:41) explains how;

"In one version of this position, our supposedly 'scientific' analysis of the mode of production gives us generalizations that are like those of natural science. We think of them as embodying universal laws of human development rather than as what they in fact are: temporarily stable patterns of human action in particular social, technical and cultural contexts."

Thus Marxist theory is criticized for being reductionist, that is, that to arrive at a conclusive explanation for particular processes, political processes must, in the last instance, be "reduced" to economic processes. Similarly, Marxist theory is characterized by Booth as class reductionist in that by and large all political processes are explained through the contradictory dynamic of the two major classes of capitalist society; the proletariat and the bourgeoisie; thereby impeding the ability of Marxist theory to analyse contemporary political struggles, struggles led by social movements rather than classes (Vasconi, 1990:26). There is much that could be written about these issues. Perhaps the most cogent point is that these characterizations of Marxist theory are crude generalizations failing to take into account the rich history of Marxist-influenced social and political theory, even if such 'vulgar Marxism' has underlain the political philosophies of some organizations. The representation of Marxist theory through these crude generalizations creates a reverse "reductionism"; *"reducing the economic to the political, and the political to the ideological."* (Vasconi, 1990:26) The criticisms of Marxism have also occurred at a much more fundamental level. The current fascination of geographers with the post-modern¹⁵ has not by-passed the development field. Even if the condition of post-modernity is often seen as the cultural logic of late, or post-industrial, capitalism (see Jameson, 1991), post-modernism, as an approach to knowledge, does have some relevance to the concerns of development geography, through its attack on the meta-narratives of both mainstream and radical social theory. Given the centrality of Marxism to the corpus of development theory, however, it has been Marxism which has suffered the brunt of the lash of the post-modernist's pen or word-processor. Essentially, and this is seriously condensing varied and disparate strands of thought, those writing from within the post-modern perspective (if indeed there can be such a thing) claim that knowledge is inseparable from the discursive form in which it is expressed and that there can, therefore, be no claims to the primacy of particular forms of analysis or even agreement on the

¹⁵ See Soja (1989) or Harvey (1989) for the key texts by geographers on post-modernism; although see also the recent paper by Andrew Sayer (Sayer, 1993) and the responses to it in *Antipode*.

concepts employed in analysis.

Over recent years, therefore, there has emerged a new body of literature concerned with deconstructing the language (or discourse) of writings on development themes. Concepts of truth and falsity and of determinacy, together with any ideas of the progressive development of knowledge have been subjected to extensive critique, and attention has shifted away from "*metanarratives and totalizing discourses*" toward "*an openness to* (indeed, a celebration of) *difference and an advocacy of local knowledges*" (Sayer, 1993:332, 320).

In certain ways these shifts of attention away from economics and causal determinacy and toward the study of difference, of language, and of power, have been refreshing and emancipatory, and the work of those who have used the insights of postmodernism to further a radical agenda to the study of gender, civil society, the environment, and raised the profile of concepts such as resistance, empowerment and emancipation are to be welcomed. Such approaches can be seen in the work of Said¹⁶ in employing Foucauldian analysis to explore the ways in which the development of Western discourses of 'Orientalism'¹⁷ have "*not only create(d) knowledge of other places and subjects but also the very reality they appear to describe*" (Watts, 1993:261). Similar elements can be found in the work of Jonathan Crush (Crush, 1991) on the various competing discourses on South African historiography, as well as an emerging set of writings concerned with critiquing the whole idea of development itself. This Anti-Developmentism (see Sachs, 1990; Latouche, 1993; Galli, 1992 and Watts, 1993) points out the similar assumptions of both mainstream and radical theories of development within which 'development' is consistently viewed as a universal process (or a desired if unattainable end-state) of increasing living standards, normally, but not exclusively, associated with industrialization. These assumptions are subjected to an exhaustive critique through analyses which "*unequivocally reject development as degenerate and ecologically maladaptive; an empty idea*" (Watts, 1993:258).

It is my view, however, that there is another nihilistic strand to 'the postmodern turn' which is destructive, misplaced and ultimately conservative in its championing of individual subjectivity, disassociation from the political struggles of the oppressed and its ultimate reversion to untheorized empiricism.

It is easy to agree with certain of the critics of the 'postmodern turn' that at times it can appear to be,

¹⁶ For example, Said, 1978; although see Prakash, 1992 and O'Hanlon and Washbrook, 1992.

¹⁷ Similar arguments can also be developed with regard to Africanism, Third Worldism, Latin Americanism etc. See for example the extensive literature on Post-Colonialism which is reviewed in Watts (1993).

"A specious invention of intellectuals in search of a new discourse and source of cultural capital.... or yet another conservative ideology attempting to devalue emancipatory Modern theories and values." (Best and Kellner, 1991:1) ; ¹⁸

and that,

"Extreme postmodern critiques of modernity and of modern theory wrongly abandon the progressive heritage of the Enlightenment, democracy and social theory along with the dubious features of modernity. We find much postmodern critique to be excessive, abstract, and subversive of theoretical and political projects that remain valuable. Extreme postmodern theorists wish to throw out the notion of critical social theory altogether, denying its metatheoretical assumptions (representation, social coherence and agency) and even claiming that in contemporary postmodern society 'reality' has dissolved into fragments and subjects are in the process of disappearing." (Best and Kellner, 1991:257)

Thus, although the attention which has been paid to the problematic nature of Marxism has some justification it should not be seen as a carte blanche for the abandonment of the whole project of critical social theory. As suggested above, there are aspects to the historical development of Marxism which have escaped from the more extreme forms of determinism and teleology explored above. The insights of discourse theory into the ways in which the 'development issue' has been formulated do not, to my mind, suggest the end of social theory but rather its transformation. The need to contextualize, the necessities of caution, and the openness to alternative ideas, embodied in the approach, are important, but they do not suggest the irrelevancy of studies based upon the functioning of the international economy, nor the processes of class formation and political struggle in individual nation states, but rather the need for caution in claims for their primacy in relation to cultural factors. These issues are explored further below.

1.7 The Continued Relevance of Marxist and Neo-Marxist Approaches to Development Geography:

Dependency theory has probably been the most maligned of Marxist influenced theoretical perspectives. Many of the charges of teleological and tautological reasoning which have been levelled at dependency have been articulated on the basis of a particularly deterministic and mechanical version of such writings, loosely based on

¹⁸ Although, as the examples discussed above have shown, there are certain issues raised which 'resist easy dismissal or facile incorporation into already existing paradigms (Best and Kellner, 1991:1).

the work of Frank. This is then used to construct an indefensible 'straw man' which is then easily invalidated. There have, however, recently been a number of attempts to re-evaluate the contribution of the 'dependistas' to the study of development¹⁹. First and foremost it is stressed that dependency analyses were never meant to offer a coherent alternative theoretical framework for the study of development, but were rather attempting to redress an imbalance within its analysis. Namely, what was seen as, a lack of awareness of the constraints imposed on 'developing' countries by their experiences under colonialism and their position in the international division of labour. Whilst the theoretical failings of many of the authors within the dependency school, as outlined above, cannot be doubted, this is not sufficient reason to doubt the important advances in understanding generated at the time.

Secondly, the writings of dependency authors have been so diverse that it really makes no sense to lump them all together as one. Recent contributors have suggested that a distinction may be drawn between the systematic model of 'the development of underdevelopment' proposed by Frank (and also apparent in the writings of Amin, Wallerstein and Emmanuel) and the analyses of concrete situations of dependency where, rather than offering a global model of exploitation and stagnation, dependency is employed as a framework for assessing the impact of colonialism, international economic relations, and the spread of transnational capital, upon the productive forms, social relations and political systems of the periphery.

The central issues are explained well by Mouzelis (1988). He argues that there is nothing inherently wrong with attempting to examine changing global inter-relations; as attempted by the neo-Marxist dependency authors and the world systems project of Immanuel Wallerstein. The problems arise when such studies attempt to make crude generalizations about 'necessary' outcomes in the core and periphery (and semi-periphery). Thus;

"When one shifts the focus of analysis from the world system to the Third World, ...theories which do not go beyond the periphery/ semi periphery dichotomy, i.e. theories which do not take seriously into account the variety of developmental trajectories within the Third World, soon run into difficulties.... Thus dependency theory, in so far as it tries to create a general theory about the Third World without taking variations into account, cannot escape the fate of all contextless, universalistic theorizing in the social sciences." (Mouzelis, 1988:28).

At the same time, however, there is an equal danger in empty rhetorical statements about the complexity and uniqueness of the individual circumstances of each nation or

¹⁹ See in particular Kay (1989), Larrain (1989), Palma (1989), Slater (1993b) and Peet (1991).

even each social formation. Untheorized empirical investigations offer the same dead ends. What is needed is *"the hard, painstaking, macro-historical, comparative work required for translating such statements into concrete analyses."* (Mouzelis, 1988:28). Whether the less deterministic strands of dependency theory could be of use in informing such a research goal remains a point of controversy; with most commentators content to assign dependency analyses, in all their forms, to the wastebasket of theoretical endeavour (see Booth, 1985; Vandergeest and Buttel, 1988 and Corbridge, 1990). Others, however, call for a renewed attention to the wide variety of dependency analyses. Kay (1989), in his in-depth study, stresses the diversity of the Latin American contribution to development theory and its possible role in the forging of an alternative to neoliberal hegemony in the region in the 1990s (see my discussions in the following chapter). Peet (1991:53-54), stressing the contemporaneous influences upon the origin of dependency analyses, lauds its effect on the rejuvenation of Marxist analyses through its reintroduction of the idea of regional differentiation as a complement to Marxian class analysis, and points to the broad literature on 'uneven development' as evidence of its continued influence and importance. The strongest call for the continued relevance of dependency analyses, however, comes from Jorge Larrain. In his book Theories of Development, he argues that,

"The issue of dependency arises in the study of the development of capitalism in the periphery. It does not replace a Marxist analysis of classes, relations of production and productive forces, it only contextualizes it. The critique of dependency went too far and threatened to throw away the baby with the bathwater. In trying to emphasize the developing capabilities of capitalism everywhere it tended to neglect the specificities and peculiarities of capitalist development in the periphery." Larrain (1989:201/10)

Finally it is worth remembering that Dependency Theory was a child of its time and its place. Whilst it has faded from fashion in radical circles in the West, in Latin America the dependency perspective *"has not been rejected but rather situated in its time as a necessary and fruitful critique of both modernization theory and the erstwhile strategies of the Communist Parties of Latin America,"* (Slater, 1993a:16-17). In the years that have followed a wide and varied literature has emerged which has built upon the foundations of the 'dependencia' perspective.²⁰ This does not paint over the deficiencies of dependency, which have been outlined above, but rather stresses the

²⁰ Examples might include the treatment of issues such as, political power and authoritarianism, civil society and democracy, and the growth and role of social movements.

fact that it was,

"an intellectual/political movement... which argued, wrote and theorized back. This was the significance of dependencia and the fact that associated modes of reflection emerged in other parts of the South during the same years.....In the encompassing context of North-South relations, the dependency writers constructed and deployed a geopolitical imagination which sought to prioritize the objectives of autonomy and difference and to break the subordinating effects of metropolis-satellite relations. To the Western mind inculcated in the Cartesian tradition, 'dependency' seemed little more than a vague discontent, but in actual fact it was a key body of alternative critical thought." (Slater, 1993a:18-19).

The challenges to Marxist development theory mounted during the 1980s have already been considered in some detail. It is my view that, in the same way as there are elements of dependency theory which, through their sensitivity to the diversity of the so-called Third World can be retained in the formulation of contemporary critiques of capitalism, so these elements can be employed within a basically Marxian analytical framework, but a Marxism that is transformed in the light of present debates. In essence this means that the critiques of structural and orthodox Marxism as overly deterministic and reductionist, and of the undue emphasis often placed upon statist political and economic ideologies, must be upheld. This, however, should not be seen as representing the transcendence of Marxism 'en toto'. Marxism has never been reducible to a set of 'laws' about societal development and there are many traditions of Marxist analysis which allow for the view of Marxism as a conceptual framework that can be employed for the analysis of specific circumstances. Again drawing upon Mouzelis, it can be argued convincingly that Marxism still retains the advantage of offering an effective synthesis of systematic and action-oriented approaches to development, in that the Marxist paradigm offers the theoretical means for looking at societies in terms of the actions and goals of individuals and groups in societies, whilst retaining a vision of systemic wholes and their requirements for reproducing themselves (Mouzelis, 1988:35).²¹ For Marxism to escape from the charges of economic reductionism, however, it has to respond to the challenges of conceptualizing the relationship between economics and politics. The Althusserian idea

²¹Mouzelis outlines how in practice the balance between structure and agency within Marxist theory has been difficult to achieve. On the one hand, we find 'ultra-voluntaristic' class analyses where the processes of social development are 'read off' from the actions and 'machinations' of a dominant class, whilst, on the other hand, we find theories which stress the constraints and limitations imposed by economic structures to such a degree that the role of actors is reduced to, in Althusserian terms, the 'bearers of structures'. Despite this, he argues that there is, within the paradigm, the "theoretical means for looking at societies both in terms of actor's goals and strategies *and* in terms of systemic wholes and their reproduction requirements"; as outlined above (Mouzelis, 1988:35-36).

of the 'relative autonomy' of the political sphere provides a starting point; in that, within that conceptualization, the economy is not meant to determine political forms, but only sets the limits as to what is possible. This, however, still builds into the study of the political the alleged primacy of the economic through the fact that, because of its failure to 'elaborate specific conceptual tools for the study of politics,' it reads the economic into the definition of the political (Mouzelis, 1988:37). What is needed, if Marxism is to provide an effective conceptual tool for theorizing the relations between the economic and the political, is a way of dealing with the non-economic sphere which does not build into its very definition the relationship which it has with the economy. For some, such a rejuvenated non-reductionist Marxism is Marxism no longer. For others, the more humanitarian strands of Marxism (for instance in the work of Gramsci) have long been concerned with precisely these problems, and there is every hope that a Marxism which avoids economism can be articulated that does not abandon its central features; its holistic political economy approach and its agency-structure synthesis (Mouzelis, 1988:40).

1.8 Marxism, Post-Marxism and the Study of the Nicaraguan Experience:

The foregoing discussion has outlined in detail the debates currently raging within radical development theory. The position taken in this thesis, as revealed in the discussion above, is of a Post-, as opposed to an ex-, Marxist character, influenced by the insights of authors such as Nicos Mouzelis and Michael Watts, and to a lesser extent by the work of Stuart Corbridge and David Slater. Such a perspective means that whilst certain Marxist claims to exclusivity are rejected, it is regarded as foolhardy to deny or stop using the 'profound insights that Marxism has still to offer to those who are interested in how whole societies are reproduced and transformed' (Mouzelis, 1990:155-156); the very issues which dominate the concerns of this work. Thus, the arguments advanced here concerning the historical evolution of Nicaraguan society and how it might be conceptualized, the nature of the Sandinista's project of social transformation, and the possibilities for the development of some form of popular alternative to capitalism in Latin America in general, bear the imprint of Marxian theory on the processes of class formation, the articulation of interests between different social sectors, and the maintenance of political power. Nevertheless, the importance of insights from beyond the broad Marxist camp are also emphasized, and are highlighted particularly in discussions of the limited applicability of traditional Marxist theory to both the problems of economic policy formation in the transitional socialist state, and the relationship between socialism, democracy and civil society. In particular, an

attempt is made to explore developments in Nicaragua during the 1980s both in terms of the goals and strategies of the various classes and social movements of the country and in terms of the economy and polity as a systemic whole with its own structural constraints and requirements.

The discussion above may raise some questions as to the primacy given to the economy within this thesis, and in particular, the importance attached in latter chapters to the performance of the Nicaraguan economy in determining the legitimacy, and even survival, of the Sandinista government in Nicaragua during the 1980s. Lancaster (1988:141-2) substantiates such questions well;

"Forrest D. Colburn's study of agrarian policy and performance in Nicaragua asserts that 'legitimacy for a revolution depends on political issues; legitimacy for a post-revolutionary regime depends on economic performance' (1986:22). It is the premise of this chapter that legitimization in Nicaragua rests substantially on bases other than economic performance. While no one would argue that economic performance is an insignificant or specious issue in the legitimization of governments, post-revolutionary or otherwise, a simple economic deficiency model overstates the case. Originally born of an economic reading of Marx, this homo economicus theory has lately been taken to heart by even the most conservative circles of opinion, for it allows a simple consumerist standard of 'economic performance' in which quantitative standards of production and consumption appear as positive grounds in their own right, severed from and independent of the qualitative issues of social power and class relations."

Such a perspective, does not, however, to my mind, negate the importance of the economic sphere in determining the viability and direction of post-revolutionary society; so long as analysis is placed within the context of an understanding of the changing dynamics of social power and class relations outlined by Lancaster. There is an equally insidious and dangerous anti-economism, based on the post-modern critique of materialism considered above, which is just as problematic, as the overly deterministic versions of Marxism which have been so parodied in recent years. To conclude, although a blinkered examination of the development of economic policy in revolutionary Nicaragua, or an analysis of the dynamics of the revolutionary process which gave undue primacy to the articulation of economic interests, would be misplaced, it must not be forgotten that it has been in the economic sphere which the battle for socialist development in the 'periphery' appears to have been won and lost (see the discussions on this in Chapter Two) Thus, although the inherited economic structure and the heavy dependence upon agro-exports, the imposition of the US trade embargo and the effects of the international recession did not determine the success or otherwise of the revolutionary process in Nicaragua in the 1980s, they did at least determine the relative feasibility of alternative strategies of social transformation, and

the likely success of particular directions in economic decision-making.

1.9 The conducting of the Research Project:

The field research for this thesis was carried out in Nicaragua between June 1989 and May 1990. Most of that time was spent in Managua, Nicaragua's capital city, carrying out research in that city's many libraries and institutions. These included the new National Library located in the Huembes Market, the library of the Department of Agricultural Economics of the National Autonomous University, the main library of the independent Central American University, the research library of the Instituto Nicaraguense de Investigaciones Economicas y Sociales, and the collection of the Harvard affiliated INCAE. The three major daily newspapers Barricada, El Nuevo Diario and La Prensa were also extremely important sources of information, as were the publications of the many smaller research institutes of the country.

Time was also spent undertaking interviews with individuals from many different parts of Nicaraguan society. Formal semi-structured interviews and informal discussions were carried out with representatives of the main export ministries, officials from several of the Newly formed National Commissions set up in 1989 to bring together state beaurocrats, private and state producers, and the workforce of many of the major agro-export commodities, individual researchers such as Eduardo Baumeister of CIERA, Amaru Barahona and Vilma Ubau of INIES (Instituto Nicaraguense de Investigaciones Economicas y Sociales), leaders of Trade Unions such as the CST (Central Sandinista de Trabajadores) and the ATC (Asociacion de los Trabajadores del Campo) and the farmers union UNAG (Union Nacional de Agriculturos y Ganaderos), Opposition leaders and representatives of the private sector from organizations such as COSEP (Consejo Superior de la Empresa Privada) and INIESEP. Furthermore I also spent time talking to union representatives from the Camilo Ortega state enterprize, visited a number of cooperatives around Masaya and spoke to some of the members, and attended a number of conferences including the first annual convention of UNAG.

Probably the most important part of the year that I spent in Nicaragua, however, was simply living in a country that was going through such social upheavals. My experiences of living in Managua helped to shape my understanding of the revolutionary process and provided the means of contextualizing the information gained through the interviews and the materials consulted. I also travelled to many of the other regions of the country; although unfortunately I was never able to visit the Atlantic Coast region. In addition I travelled to Costa Rica, Honduras and Guatemala

in search of material to give my work its regional context. I am particularly grateful for information received from and discussions with staff at FLACSO (Facultad Latinoamericana de las Ciencias Sociales) in San Jose and materials from the CMC (Consejo Monetario Centroamericano) in the same city

The statistical information used in this thesis comes mainly from governmental sources such as INEC (Instituto Nicaraguense de Estadisticos y Censos), the Agriculture Ministry (MIDINRA), the Central Bank, and CIERA (Centro de Investigaciones y Estudios de La Reforma Agraria), especially the data included in the 10 volume study of the Ten Years of Agrarian Reform produced in 1989, as well as regional bodies such as FLACSO and the CMC. Some alternative data on Nicaragua was also obtained from INIESEP, the research arm of COSEP, but on those few occasions where figures differed, preference was given to the governmental sources due to the lack of information given by INIESEP as to the methods used in data collection.

The recognized problems in the reliability of data collection in developing countries were compounded in this instance because of the effects of the Contra war and the massive dislocation of individuals that it caused, as well as the disruption to the normal channels of marketing of agricultural produce, and other forms of transportation, which had serious effects on the ability of the government to properly assess overall production levels within the economy. Further problems of reliability relate to the fact that even figures collected from the various government ministries and government-sponsored research organizations such as CIERA differed one from the other.

Chapter Two:

Socialism, Marxism and the Future of 'the Left' in Latin America

2.1 Introduction:

This chapter builds upon the generalized discussions of the concepts and analytical frameworks of radical development geography, which were outlined in the previous chapter, through a selective review of the evolution of academic thought on revolutionary change and social(ist) transformation in the 'Periphery.' In this way, consideration is given to the dynamics of, and prospects for, alternative 'socialist' development strategies, thereby providing a context for the analysis of the evolution and outcomes of the FSLN's programme of social transformation in Nicaragua in the following chapters. The aim of the chapter is, therefore, to explore the theoretical context that must underlie any attempt to evaluate the Sandinistas' endeavours to transform Nicaraguan society, or to locate them within wider debates about the future of 'socialism' in the 'Third World'; providing a comparative and theoretical context within which to retrospectively evaluate the revolutionary period.

2.2 Socialism after 'The End of History':

The 1980's were hardly an easy period for a new socialist regime to have emerged in the Third World, or for socialists anywhere. The FSLN's ascension to political power, their experiences in government, and their eventual electoral defeat in the elections of February 1990, occurred during times of intense change and deliberation for the international socialist movement. As the twentieth century reaches its final stages, socialism, communism, Marxism and revolutionary action (some of, if not the most, influential ideas of the twentieth century) appear to have collapsed as valid ideologies and guides for political praxis. In particular, the eclipse of the self-styled 'socialist' states of the Eastern Block has been greeted with glee by the ideologues of the 'right,' who have proclaimed liberal Western capitalism triumphant over its only competitor and are now basking in the 'end of history' (Fukuyama, 1989).

Within such a context, the question arises as to whether there are still any alternatives to the consolidating hegemony of Liberal, or more essentially Neoliberal, political and economic ideas (see Overbeek, 1993). In the case of many parts of the 'Third World' (particularly Africa and Latin America) the continuing

existence and, indeed, even the intensification, of abject poverty within large sectors of the population, the social dislocations resulting from the severe economic adjustments that have had to be made through the long years of the 'Lost Development Decade' (see Singer, 1989), and the continued resistance of a whole range of different social movements to the dictates of 'modernization' in all of its, and their, different forms (see Scott, 1990, but also Guttmen, 1993), all point to the continued importance that counter-hegemonic discourses, ideas and political organization will play in the future. In order to elucidate more clearly the changing conceptions regarding the possibilities for alternative paths and meanings of development this section will continue by briefly critiquing current work on the demise of 'Third World' socialism, before charting some of the recent experiences of the Latin American 'Left' in the context of the regional consolidation of Neoliberal ideas .

2.3 The Global Context:

The widespread sense of ideological and political confusion (and economic malaise), characteristic of the recent experiences of 'Peripheral' socialist regimes, has seen a flurry of recent publications concerned with evaluating recent changes that have occurred within socialist policy-making and the likely future (if any) for socialism in the 'Third World' ¹ It is a matter of some concern that the historical paucity of academic consideration of the nature of Third World socialism has given rise to a rather generalized treatment of the present crisis. Firstly, there has been a tendency to consider the future of socialist movements in the 'developing world' as synonymous with the fortunes of the 'actually existing socialist states,' be they Eastern European or Asian. This has produced a preoccupation with the changes that have occurred in Eastern Europe and other wider international factors, which has tended to blind observers to the domestic factors giving rise to the attractiveness of socialist ideologies.²

¹ The pioneering works on Third World Socialism were White et al (1983), Chase-Dunn (1982), and Wiles (1982). Since then the rapidly changing context of the late eighties has seen a number of important contributions which have included Fitzgerald and Wuyts own work (Fitzgerald and Wuyts, 1988), Fagen et al (1986), Utting (1992a and b), Forbes and Thrift (1987), Post and Wright (1989), the special edition of the relaunched *Third World Quarterly* in 1992 and an edition of the *Journal of Communist Studies* in the same year, and the regional studies by Harris (1992), De Vylder (1991), Cohen and Goulbourne (1991) and Keller and Rothchild (1987). Short pieces by Corbridge (1991) and Galeano (1991) are also of relevance.

² Such factors might include the historical association of peripheral socialist ideologies with nationalism and the continued importance of such an association given the current importance of nationalism worldwide, as well as the successes of various Latin American 'Leftist' political parties in taking advantage of the social effects of neoliberal economic policies to score surprisingly good election results, the successes of the Revolutionary Workers Party (PRT) in Brazil being a case in

Secondly, there is a debilitating lack of detailed study of the performance of those socialist organizations which have attained political power in the Periphery. Thus, although during the period following the Second World War a number of regimes expressing an intention to embark upon a non-capitalist (or expressly socialist) path of development have emerged in the Third World, discussion of the dynamics of this Peripheral socialism (within the widest definition of such a concept) have remained, to an alarming degree, absent from the 'theoretical corpus of development economics' and that of development studies more generally. This is regrettable since the economic priorities of such regimes, and their effects upon the social and political processes of the countries in which they have attained power, have differed significantly from the dynamics of the liberal capitalist model of development favoured in other Peripheral states and also from the state communist model recently overthrown in Eastern Europe (Fitzgerald and Wuyts, 1988:1).

Both of these factors have played their role in producing a inclination within the literature to portray the experiences and failings of the 'Third World' socialist regime as relatively homogenous. In reality, however, there has been a wide diversity of regimes that could be classified under the wide umbrella of 'Peripheral' socialism. These have ranged from the short lived, broadly social democratic, Popular Unity government of Allende's Chile to the now thirty five year old Cuban communism of Fidel Castro, from the African socialist ideology of Nyerere's Ujaama to the Leninism of 'the Derg' in Ethiopia, and from Mao's China to the liberation theology influenced Marxism of Nicaraguan 'Sandinismo'. The breadth and diversity of the 'Alternative' Peripheral regime can be seen clearly just from this short list. Despite these distinctions, much academic enquiry into the successes and failures of the non-capitalist Peripheral regime has been founded upon the search for a 'checklist' of criteria by which all these regimes may be characterized and their achievements and limitations studied. This has often involved ignoring examples which do not fit into the Soviet-Style model.³ In an attempt to avoid these problems of broad international over-generalization, the following section of the chapter focuses attention on to the regional dimension through a consideration of the contemporary situation facing the broad socialist movement in Latin America

2.4 The Latin American Context:

point. Polemics on the demise of peripheral socialism chose to ignore at their peril the continued attractiveness of a wide range of broadly socialist ideologies to the peoples of the Third World.

³ The most often cited classification is the one developed by White et al (1983)

"It seems that there is no place for revolutions anymore other than in archaeological museum display cases, nor room for the Left, except the repentant Left willing to sit at the right of the bankers. We are all invited to the world burial of socialism. All of humanity is in the funeral procession they claim.

I must confess, I don't believe it. This funeral is for the wrong corpse."
(Eduardo Galeano, 1991:250)

Galeano's comments on the apparent 'death of international socialism' come from a short piece written on the recent experiences of the Latin American 'Left' within the rapidly changing international political environment of the past few years. One figure who springs to mind, as the embodiment of Galeano's idea of the disillusioned or repentant 'Left', is the Brazilian, Fernando Henrique Cardoso. Cardoso, often seen as the most insightful of Latin America's dependency theorists⁴ now appears as part of the government team of those who triumphed over Lula's PRT (The Brazilian Worker's Party).⁵ As argued in a recent NACLA Report on the Americas (see quote below) he is representative of those on the Left in Latin America who have, through their dissatisfaction with their experiences of state-led development and/or popular (or 'populist') experimentation, embraced an emerging 'Neoliberal' orthodoxy in the region.

"So completely do(es) Neoliberal(ism) dominate the current Latin American debate that opposing ideas are increasingly treated with the bemused condescension usually reserved for astrological charts and flat-earth manifestos: We hope the astrologers will come around, but there's nothing Left to argue about.....When ..Cardoso.....spoke a few months ago to an audience of bankers and investors at Manhattan's America's Society, he was introduced as a well-known dependency theorist who had outgrown his old ideas: an astrologer finally come to terms with Copernicus." (NACLA Report on the Americas, Feb. 1993, Vol 16(4):16)

The questioning of socialist and populist models of economic development, which has intensified during the long and drawn-out years of economic crisis which have characterized the 1980s within the region, has left the "Left' struggling to find new alternatives with which to challenge the currently dominant stresses upon free markets, declining state intervention, and export-orientation. The position facing the Latin American Left in 1994 is hardly optimistic. Even twelve years ago the situation was quite different. Despite the fact that the region was then falling into the

⁴ His major work was meant to be understood as a stringent attack on the more deterministic elements of the development of underdevelopment school; see Cardoso and Faletto (1979)

⁵ For a discussion of the evolution of Cardoso's ideas see Lehmann, 1990:73-6.

grips of a recession from which it still has to emerge today,⁶ the perspective of many of the region's popular movements toward the prospects for social change was one of cautious optimism. The Sandinista revolution seemed to be making impressive strides toward meeting the pent up demands of the Nicaraguan people, through a highly innovative democratic brand of socialism, the FMLN in El Salvador looked on the point of toppling the Salvadoran oligarchy, and the Cuban revolution was moving toward the acceptance of a more 'open' system of economic management.⁷ Everywhere it seemed that Latin American capitalism was in crisis and events seemed to be proving that the time was right for some sort of revolutionary social transformation.

By the time the Sandinistas lost the Nicaraguan elections in February 1990 the situation was markedly different; a wide range of internal and external factors having conspired to produce an undeniably pessimistic scenario for Latin America's progressive movements.⁸ Firstly, whilst Latin American socialist movements have differed in their historical relationships with Moscow, the rapid changes in Eastern Europe, and the apparent collapse of socialism as a viable political ideology have left many organizations floundering. Even though few regimes or organizations have had the close relations with Moscow of Cuba, or the 'official' communist parties of the region, the collapse of the socialist block has removed an important source of support, be it ideological, military or economic, for the Left in the region. Socialist experiments in the region have always been condemned to economic marginality by the interplay of international market forces but the collapse of the Soviet Block has accentuated this markedly.

Secondly, changes in the international political economy are also influencing the structure and organization of the global space economy, and hence that of Latin America itself. As the competition between the divergent political ideologies of socialism and capitalism recedes from the centre of the international political arena, the world economy appears to be restructuring according to the globalization of Neoliberal policy ideas which give predominance to market forces (Bitar and Bradford, Jr, 1992) There is, however, within this scenario an emerging tension between: attempts by the US to reconsolidate its *global* political hegemony within an increasingly integrated international system (with relatively uniform norms), and

⁶ Although see the discussion on recent turn arounds below.

⁷ See Deere and Meurs (1992) on the experiments with parallel and peasant markets in Cuba during this period.

⁸ Whilst recognizing that any endeavour to construct a form of representation that takes in the whole of the region inevitably involves a great deal of abstraction, and that the region is far from homogenous, I feel that it is still useful in the following section to outline, what I feel to be, some of the key features affecting the contemporary political economy of the region.

the drive to create greater economic spaces within regional economic powers centred upon the US, Japan and Europe.⁹ The extent to which the international system comes to be characterized by this regionalization is obviously a pressing issue which Latin American governments must confront in their regional dealings with the US and in considering their position in the international division of labour. Particularly important in relation to this at present are such factors as; the eventual outcome of the current GATT round, any opportunities presented from a growing economic relationship between the EC and Latin America, and the possibility of a regional free trade agreement for the Americas. For the 'Left' in the region it is important to consider what the significance of any of these developments for the evolution of Latin America's productive structure, and hence aspects of its political organization, might be.

Thirdly, as well as facing the contemporary pressures outlined above, Latin America's productive structure has already experienced far-reaching changes due to the experiences of more than a decade of widespread debt and recession and the processes of adjustment with which they have been met. Furthermore, the onset of the debt crisis has led to the final collapse of the previously dominant state-led development strategies of the region. The collapse in primary commodity prices, declines in living standards and so on, highlighted the wide-ranging deficiencies in previous economic strategies which had proved unable to react to changing international realities.

Fourthly and finally, the past decade or so has seen the development of an extended and enhanced role for the international financial organizations in the economic affairs of all Latin American countries. This changing role has been accompanied by the adoption of an increasingly militant Neoliberal stance by the institutions in the policies which they 'recommend.' The expansion in the influence of the financial institutions occurred as the debt crisis took hold in the 1980s and as alternative sources of foreign credit disappeared. Cheaply available sources of such credit in the 1970s had allowed the state-led strategies of Post-War Latin American economics to survive beyond their feasibility in many countries. When the international recession hit at the turn of the decade this meant that the region suffered particularly severely. It also enabled the institutions (with some justification) to point to economic incompetence, entrenched bureaucracies and misguided development strategies as the primary roots of the crisis. Given their monopoly over the supply of new credits and the arrangements for rescheduling the massive debts

⁹ For a discussion of the integration process in Europe and its effects upon the EC's poorer trading partners see my paper in the Journal of Area Studies, Brown (1993).

built up in the 1980s, the institutions have been able to intervene more directly in internal economic management than ever before. In accordance with their analysis of the roots of the crisis, the structural adjustment and stabilization programmes designed by the World Bank and the IMF as the conditions for access to financial resources (supposedly in consort with local governments) seek to restructure the economies of the region. This restructuring is designed to open the region to the influence of international market forces; through the widely discussed emphases of the programmes upon liberalization, export promotion and fiscal austerity.¹⁰ As such, the economic options to non-Neoliberal governments of any description appear bleak to say the least. As expressed more generally by Michael Watts;

"The 1980s brought debt, retrenchment and austerity; short-term crisis management, stabilization and the so-called counter-revolution in development theory were their handmaidens. Inflation, lack of investible funds and external conditionalities imposed by global regulatory agencies rendered alternative development strategies, as much as statist development initiatives, largely irrelevant." (Watts, 1993:258).

Nonetheless, the consolidation of the Neoliberal perspective in Latin America cannot simply be seen as having been externally imposed by the conditions associated with the structural adjustment programmes of the institutions. Neoliberalism has been accepted, even embraced, by political movements throughout the region. Moreover, even governments elected on a 'populist' platform have, once entering office, ended up, given external conditions, administering severe austerity programmes; Fujimora in Peru being a case in point. Even the Sandinistas in Nicaragua oversaw a severe package of pro-market economic reforms in their last 2 years of office (see Chapter Four below).

The 1990s then, has seen the almost complete establishment of the supremacy of the Neoliberal perspective on development in Latin America. Not only has the Left been faced with the task of dealing with its own failures (i.e. the economic, political and developmental inadequacies) but it now finds itself dealing with 'the enemy' in a new well-organized modernizing guise, and it has few alternatives to offer. The following section looks in a little more detail at the rise of Neoliberalism in the region and its significance for the future orientation of the region's progressive movements.

¹⁰ For discussions of the nature and effects of IMF and World Bank structural adjustment programmes see Addams (1993), Ghai (1991), Corbridge (1993), Helleiner (1990), The South Commission (1990), Singer (1989), Killick and Malik (1991), Killick, Malik and Manuel (1991), Bird (1991), Commander (1989), Pastor, JR. (1987), *African Environment*, (1990), nos 25-28, vol. VII (1-4), *Race and Class* (1992), *World Development* (1991), vol. 19, no. 12, Demery and Addison (1987), Todaro (1989), Gore (1992) and Stein (1992)

2.5 Lessons for the 'Left' from Neoliberalism's Rise to Ascendancy in Latin America:

The timing of Neoliberalism's drive to intellectual and political ascendancy in Latin America has had much to do with the, now well-documented, take-over of the international financial institutions by economists of that persuasion at the end of the 1970s (see Toye, 1987 and for a wider study Overbeek, 1993). However, its roots go back a good deal further. Chile had been developing what would now be termed Neoliberal policies since the earliest days of the Pinochet regime. Furthermore many of the tenets of the Neoliberal position were central to the orthodox neoclassical side of the arguments about inflation with the structuralists which have dominated Latin American debates about economics since the 1930s (see Ruccio, 1993). The shift in perspective, and increasing power, of the international institutions, coupled with the onset of prolonged economic depression, facilitated a profound shift in internal politics which enabled the rapid consolidation of the Neoliberal model. Vasconi (1990:30-31) argues further that the roots of many of these changes in social and political organization arose from the earlier onset of authoritarian rule in many Latin American countries. He suggests that it was under the control of these authoritarian states that the domination of international finance capital was established and "the old 'compromise' or 'populist' state, was liquidated, the workers' movement and the popular movement were driven back (and) their corporative organizations and fundamental policies destroyed" (Vasconi, 1990:30).

Latin America's experiences in the 'lost development decade' are now well documented and need not be discussed in detail here (see Ghai, 1991 for example). It appears that the state-led models of economic development and the paternalistic politics that supported them were finally discredited by the economic collapse of the 1980s. For much of this century the 'Left' has been involved in populist coalitions with the more nationalist-oriented of the middle stratas of society which have vied for political power with conservative elites, or those sectors of the bourgeoisie allied with international capital. They have thus been associated (often rightly) with the economic decision-making and policy errors associated with the ISI-based models of economic development that such coalitions invariably adopted when they achieved power. Now it seems that, in purely economic terms, the Neoliberal critique of previous Latin American models of development appears to have been proved right. The World's press repeatedly stress that the turn-around in Latin America's economic fortunes has begun. One only has to glance at the triumphalist special Latin American sections in publications such as the Economist, Time

magazine or even the Financial Times to see the stories of the beginnings of capital inflows, the first, albeit marginal, positive economic growth figures for years, and possibly more importantly, marked 'improvements' in the way in which the region is viewed from outside - i.e.. the way in which potential investors view the security of their investments.

Whatever one's view of this supposed turn around, and its implications for the advocates of alternative economic strategies, it is important to understand that the nature and functioning of Peripheral capitalism in Latin America has been fundamentally altered by the experiences of the economic crisis of the 1980s and the Neoliberal packages with which it has been met. The Latin American regional economy in 1993 has very different dynamics to the system which all but collapsed at the end of the 1970s. It still remains far from clear, for example, what the distributional consequences of the debt crisis have been. Probably of greater importance, however, is the fact that the cheaply available external financing of most of the post-war period is now past and gone. It is no longer feasible to run large-scale fiscal deficits to finance populist or socialist development strategies. The changes in the international economy outlined above mean that there appear to be few alternatives to the maintenance of balanced budgets even at the costs of severe recession (Fitzgerald, 1991:8).

Such changes as have occurred over the past decade or so have had a tremendous, if under-documented, affect upon the balance of power amongst the various social groups in Latin America. In Central America, for example, it appears that the traditional oligarchies¹¹ are gradually giving way to modernizing sectors of an emerging bourgeoisie committed to the Neoliberal model and to the maintenance of political power through open 'democratic' processes rather than the use of coercion and military repression (see discussions in Chapter Five). Elsewhere in the region, those rent seeking elites attached to state bureaucracies are losing ground to those sections allied to international capital as liberalization opens up the region to investment. The chief concerns for these latter sectors is to establish a consensual vision of the region in the eyes of the international community which is seen to provide stability and a suitable environment for the operation of international capital. All of these processes, and they are operating to different degrees within individual countries, are having effects upon the regional balance of power between capital and labour and the functioning of the region within the wider international political economy. It remains to be seen whether the Left's understanding of the dynamics of

¹¹ Or reactionary despots as they are termed by Liz Dore and John Weeks; see Dore and Weeks, 1992b.

Latin American capitalism, the important changes in the region's economic structure, and hence aspects of its political organization, can respond to these changes in their search for the formulation of popular alternatives for the countries of the region.

The emerging Neoliberal movement in Latin America has grasped the significance of the far-reaching changes in Latin America's position which have been outlined above and, moreover, has actively been involved in creating its own vision of a new 'modern' Latin America suited to those changes. As suggested by David Lehmann (1990:76) the adoption of Neoliberalism means that Latin American conservative thought has rid itself of its corporatist and organicist mould and has become enamoured of the market; in the process relinquishing its traditional concern for Latin American identity; through its wholesale adoption of the need to integrate the region both culturally and economically into the world market. Attitudes which they interpret as having set South Asia apart from Latin America in its pursuit of capitalist modernization. As argued by German Sanchez,

"Governments throughout Latin America have virtually abandoned their efforts to win national independence and economic development- goals which to one degree or another they had pursued in past decades.....To begin with, we are in the midst of a profound and accelerated process of economic restructuring and foreign takeovers of Latin American productive systems. Industries characterized by low productivity and outdated technology, nearly all of them owned by mid-sized national capital, have been destroyed and replaced by speculation and imports." (Sanchez, 1993:20)

The key to understanding the significance of the shift towards Neoliberalism, as has been pointed out by Ian Roxborough, lies in grasping the ways in which Neoliberal movements have been attempting to manage expectations both nationally and internationally. In the latter case this means the development and presentation of an attractive image of national consensus and stability to the international financial community. In national terms it involves persuading the electorate that there are no alternatives to their austere economic prescriptions. If such arguments are successful then it could be argued then the social costs involved in the implementation of Neoliberal economic programmes may not prove to be such a political liability as might be imagined. As Roxborough (1992) argues the issues are presented as a choice between the boom and bust cycles of the previous state-led policies, and the immensely damaging levels of inflation with which they were associated, and the shorter term sacrifices involved in the restoration of stability.

"Between the desperate hope that a massive sacrifice will bring a return to price stability and a resumption of growth and the perceived collapse of Left-wing alternatives to government austerity programmes, these presidents have generated a volatile mix of resigned quiescence and active support." (Roxborough, 1992:426)

The Neoliberal perspective differs from the paternalistic and often authoritarian models of development previously hegemonic in the region to the extent that, although it now prioritizes the operation of international market forces in the determination of national economic activity, it recognizes the importance to such an economic strategy of domestic norms, standards and political behaviour. This means that great store is placed in the development of national legal systems, political culture and other institutional issues designed to consolidate an attractive environment for international capital. There is therefore an implicit recognition of the need for consensus in the transformation of Latin America's economic structure towards a form that is seen as conducive to economic activity (Espinal, 1992). This therefore, in the context of the much lauded transformation of the region away from authoritarianism and towards liberal democracy, opens up spaces for the development of an open political culture which therefore includes the possibility of the articulation of popular alternatives.

This opening up of political activity has, however, also occurred in the context of the imposition of economic policies that have severely affected the position of the poor. The Neoliberal success story and its democratic human face, which I have tried to portray here, has another darker side. The loss of sovereignty and regional culture, and the destruction of uncompetitive national capital, have already been mentioned. Most critiques of Neoliberalism, however, also draw upon the high social costs of their economic programmes and the mockery that these make of its democratic face. It is difficult to build an electoral democracy when the electorate have empty stomachs. The following quote sums up the sense of this well;

" (In these) Neoliberal "success" stories.- macroeconomic growth has been accompanied by stagnant or declining real wages, an unambiguous growth of poverty, a loss of social benefits, a breakdown of community, and explosive growth of the informal, marginal sector of society.....But for now, Vargas Llosa is right: liberalism is an idea whose time has come in Latin America. It will last - since you can't beat something with nothing- until a credible alternative arises to take its place." (NACLA Report on the Americas, Vol 26(4), pp.17).

This discussion has placed the current crisis of 'Leftist' political thought and action in Latin America within the contemporary context of the changes in the region's

productive structure, its position within the international economy, and the consolidation of the dominant position of Neoliberal ideologies, rather than the simplistic arguments outlined earlier associated with the demise of the Eastern Block. The following section considers the reaction of the 'Left' to this context and the search for fresh new popular alternatives, suited to the changing regional dynamics, and sufficiently distinct from the discredited economic policies and political praxes they have been associated with in the past.

2.6 The Search for Renewal:

"Crisis as always breeds opportunity. A Left that can offer credible alternatives to statist inefficiency, Neoliberal inequality and military dictatorship might well carry the day." (NACLA Report on the Americas, 1993, Vol.26 (4): 3)

In the last few years the Latin American Left has been involved in wide-ranging discussions over its future and the search for an alternative to the Neoliberal model of development discussed above. Whilst Shining Path continue in their attempts to overthrow the Peruvian version of that model by force of arms, the majority of the region's popular organizations have, by and large, embraced the civic struggle for some form of socialist society. The search is on for the most appropriate forms of political organization with which to attempt to gain national hegemony and for alternative forms of economic organization with which to provide viable popular alternatives. The problematique revolves around the development of national programmes which reflect the lessons learnt from the Nicaraguan, Chilean and Cuban experiences in government, as well as the recognition of the inadequacies of CEPAL style state-led development strategies from which the swing to the political right was a seemingly justifiable reaction.

In addition, the discrediting of previous statist models of development, and the social consequences of the Neoliberal model which has asserted itself in the space left by their demise, provide wide ranging possibilities for the Left to rearticulate their understanding of the nature of the state in its political and economic contexts. The critique of the role of the state emanating from the right, is now coming under increasing criticism itself, as the need for a redimensioned state intervention is increasingly recognized and the limitations of over-reliance upon markets rearticulated, both in mainstream and radical economic and political thought (see the series of essays in Colclough and Manor, 1991, the essay on 'markets' by Berthoud in Sachs, 1990, and the writings of Tony Killick, especially Killick, 1989). In

addition the importance of the state as the political arena for the struggles between different classes and social movements is clear.

One arena for these discussions has been the establishment of the Sao Paulo forum which encompasses some 68 progressive organizations throughout the continent.¹² The series of annual meetings developed in the Forum have proved to be a important arenas for the discussion of ideas with which to challenge the hegemony of Neoliberal ideas. More importantly it is providing the opportunity for the popular organizations of the region to share ideas and experiences and group themselves together politically in a context of severely restricted room for manoeuvre.

2.7 Neoliberalism and the Left in Latin America: An Overview:

It might seem strange to have dwelt so long upon a discussion of Neoliberalism in a Chapter which outlined its objectives as involving the evaluation of the prospects for socialism in Latin America. This has been done because it is my contention that to understand the contemporary problems and future prospects of socialist movements, such as the FSLN, requires a detailed understanding of the changing political and economic context of the region. This then provides the setting within which to discuss the successes and failures of the Sandinista's experiences in government, as well as the fortunes of the Latin American 'Left' more generally.

The issues explored above reveal that, fundamentally, the organized 'Left' in Latin America appear to be losing the regional struggle with Neoliberalism on two inter-related questions. Firstly, the formulation of a demonstrably coherent and clearly articulated economic programme and, secondly, the rhetorical and organizational struggle over the meaning of, and means of, extending liberty and democratic freedoms. As outlined in the Introduction, this thesis is mainly concerned with the first of these two questions (although in reality the two cannot readily be separated) in that it attempts to provide a detailed examination of the economic ideology of the FSLN and the results of government policy in the most important sector of the economy, the agro-export sector.

The discussions outlined, however, do not simply serve as a context for the study of 'Sandinismo,' the relationship can also be reversed. If a successful socialist challenge to Neoliberalism is to be articulated in Latin America then the hard lessons of the experiences of past decades must be learnt. The FSLN's attempts to implement a popular socialist alternative economic model in Nicaragua suggest a

¹² These include: The FMLN in El Salvador, Nicaragua's FSLN, the Simon Bolivar Front of Colombia, most Latin American Communist parties including the Cuban, the Haitian Lavalas movement, the URNG of Guatemala and the Brazilian Workers Party (see Fischer, 1992).

number of these lessons, regarding such factors as; the relationship between markets and planning in social transformation, the importance of the articulation of different, and often antagonistic interests, to the maintenance of the hegemony of any revolutionary project, and the importance of basing social transformation strategies within an informed understanding of inherited economic and social structures and political and cultural norms.

The following section details the substance of the problems faced by Peripheral socialist regimes through wider discussions of the two important issues identified. First, that of the economy and, second, the struggle for democracy and the extension of civil society.

2.8 Economic Problems of the Transition to Socialism:

It is by now a truism to state that the socialist revolutions that have occurred in this century have taken place, not in the most economically advanced industrial capitalist states as was originally envisaged by Marx, but rather in predominantly agricultural countries without substantial prior development of the productive forces under the capitalist mode of production. This has meant that the transition to socialism and the dynamics of socialist societies have had far more to do with the pursuit of economic growth and the development of the productive forces of the economy than was ever envisioned by Marx. This has had the effect of intensifying the economism inherent in much Marxist theorizing (see the discussions in Chapter One) when it is applied to the theorization of socialism, in that, whilst socialists have never set themselves purely economic aims, and their ideal or end state has always been the creation of a new type of society, there has been a common conviction of the importance of the economy in shaping the nature of society in general (Bottomore, 1988:1). As argued in the previous Chapter, however, it is my contention that it is equally dangerous to over-react against the more severe forms of economic determinism to the extent where the economic analysis of material issues is relegated to a subsidiary concern. The following section therefore details the complicated debates which have evolved with regard to the pursuit of socialist economic policies in the developing world and how they relate to the contemporary situation facing the Latin American Left outlined above.

Since the vast majority of socialist regimes which have attained political power in the Third World have at least expressed a commitment to Marxist analysis, and many have had strong links to the former socialist block, it would make sense to briefly consider some of the traditional Marxist ideas regarding the proposed

transition toward socialism. The first point to note is that many of the original writings on the transition to socialism assumed that such a transition would arise from the ascension to political power of an industrial proletariat out of the escalating contradictions of mature capitalist societies. Thus, it was assumed that the economic strategies which would be employed within the transition to socialism would be built upon an economy which had already experienced a high level of the development of productive forces. This led in certain quarters to a deterministic emphasis upon the impossibility of any transition toward socialism without the prior transformation of society under the expansionary influence of capitalism (see Warren, 1980 for a reassertion of this view).

Over time, however, as the scene of revolutionary transformations has become rooted in the developing world, a body of literature, and the examples of praxis, have emerged concerning the economics of the transition toward socialism in the Periphery. In an attempt to avoid the pitfalls of too restrictive classifications of regimes as socialist or non-socialist the economic dynamics of Peripheral Socialist regimes can perhaps best be characterized in the following way;

"Usually under severe political and military pressure from former hegemonic powers, these countries have attempted to overcome the immediate problems of poverty, to establish a new position in the international division of labour, and to initiate a process of rapid accumulation. They have also tried to do this on a basis distinct from the criteria of free markets, private investment and comparative advantage that characterize the rest of the Third World."

(Fitzgerald and Wuyts, 1988:1)

The strength of such a characterization is that it is open-ended enough to include all of the regimes listed above in Section 2.3 and does not limit study to those countries which fulfil some set criteria such as levels of nationalization or economic linkages to the Soviet Block.¹³

2.8a The State-Led Model:

Despite the different emphases and histories of the various regimes encompassed under the Peripheral socialist umbrella, the development path chosen by most has involved the rapid expansion of the role of the state, within an effort to overcome

¹³ It is true to say nonetheless that historically Third World socialist regimes, given the automatic enmity with which they have been viewed from Washington, have by and large been closely associated with the Soviet Block and the models of socialist development which have emanated from there; although, even those most closely linked to the Eastern block have had their own strategies, achievements and problems.

poverty and transform the productive base and social organization of society. Despite the emphasis placed upon the economic role of the state, most regimes have accepted the necessity of the maintenance of a mixed economic strategy, with space given for the reproduction of a private sector, sometimes involving the maintenance of a capitalist sector, but generally related to the sustenance of a traditional peasant sector. Within such a strategy, however, it has been assumed that accumulation will be centred in the state sector, whose main task is seen as the progressive replacement of the private sector through its own expansion (Fitzgerald and Wuyts, 1988:4-7). This approach, often termed 'state-centred accumulation', owes much to the legacy of Eastern European thinking on socialist transition, and has led to an emphasis upon such factors as; rapid processes of industrialization (fuelled by surpluses from the agricultural sector), broadly based subsidization policies, the collectivization and rapid modernization of agriculture, and centralized planning systems (for further elaboration see Post and Wright, 1988; Fitzgerald and Wuyts, 1988, White et al, 1983 and Utting, 1992b).

One of the central issues of contention within the state-led strategy has related to the difficult decision as to whether attention should be focused primarily upon the development of the forces of production or primarily upon altering the social relations of production or both. As Griffin and Gurley (1985:1129) argue, there are obvious political advantages to the rapid development of programmes designed to quickly expand the processes of socialization in society through nationalization, land reform programmes, the expansion of the role of the state in the economy (especially in the provision of credit), and the development of social programmes in the spheres of social security, health, housing and education. The problem with the widespread and rapid adoption of such programmes is that they need to be financed somehow and, as Bukharin (1979) insists, production is bound to fall in the immediate transition period. Experience has proved this to be the case.

Thus, despite certain advances made in the fields of education, health care and income distribution in individual countries, reviews of the developmental performance of socialist regimes have tended to dwell upon the economic problems that they have faced. Many regimes, having attained political power by military means, have been faced with the difficult task of reactivating and reconstructing a severely war-damaged economy, as well as the prospect of armed counter-revolutionary activity. In addition, in many cases, the first few years of consolidation of the revolutionary regime have been characterized by somewhat over-optimistic forecasts of economic growth rates, which have helped to fuel already rapidly expanding public expectations for improved living standards. At the

same time, however, following the immediate post-triumph euphoria of the 'honeymoon period', the economy is not likely to grow sufficiently rapidly to meet these expectations and in fact is likely to experience serious dislocations. As argued by Carlos Vilas (Vilas 1990b:126)

"The characteristics of the agroexporting nations of the Third World make high levels of economic activity and efficiency impossible in the initial stages of revolutionary transformation. Many of the limitations and tensions of the previous regime are intensified. The contradictions between production and distribution or between development and social justice are intensified even in comparison to the pre-revolutionary stage. Only with access to wide and flexible external cooperation may these economies overcome these difficulties in the first stage and begin a more autonomous path of development with increased social justice."

In countries such as Nicaragua the export sector has great significance since it provides the resources with which to finance the social programmes and modifications to productive structure deemed desirable to the government. However, the dependence upon the earnings from that sector mean that the new government are heavily dependent upon the producers within that sector. Griffin and Gurley (1985:1129) succinctly outline the dilemmas facing revolutionary governments in this type of situation.

"There are several strategies that combine....the development of a country's productive forces, on the one hand, and the transformation of its relations of production, on the other. A strategy that gives priority for some time to the former, while the latter is changed less quickly, is based on the belief that "socialist institutions and practices are unsustainable if they are not supported by higher levels of production" (Gurley 1983). The opposing view is that such a strategy runs the risk of sooner or later undermining whatever gains have been made toward a socialist society.....because.....capitalist incentives, values and institutions would be relied on heavily to achieve the production gains. A second strategy gives immediate priority to the radical transformation of the society's relations of production, while productive forces move ahead more slowly.....The opposing view.....is that socialist institutions cannot be sustained in the absence of a highly productive economy."

The basic question at stake in these arguments is whether the interests of the popular classes (however defined) are best served by pursuing, for a certain length of time, primarily productive gains rather than immediately radically transforming the relations of production, whatever the cost to productive activity.

2.8b Beyond the State-Led Model:

In response, at least in part, to mounting economic problems (and to changing external situations) there has been a marked shift in the political economy of many 'Peripheral' socialist regimes, during the 1980s, away from what Utting terms the orthodox socialist model (i.e. the state centred model described above). There has instead been a move towards economic and political strategies that appear to place greater emphasis upon; the importance of the peasantry as petty commodity producers, denationalization and limiting of the productive role of the state, the abandonment of pricing controls and subsidization policies, and greater monetary rigour (Utting, 1992a:43-44). Debate currently rages as to what exactly the significance of these changes has been.

It could be suggested that the pursuit of these alternative strategies has been a tactical response by socialist regimes to the increasingly limited options open to them in the economic sphere. Thus, the new strategies may simply represent the necessity of meeting the stringent economic liberalization requirements imposed upon continued access to (ever more urgently needed) external resources in the highly 'conditional' world of the international financial institutions. In this sense the economic reform process would be seen as being little different from the general move towards economic liberalization and the 'retreat of the state' evident throughout Latin America, Africa and Asia. Another argument rests on the premise that the withdrawal from the 'state-led model' represents a final withering away of any commitment to the construction of socialism; drawing allusions to the collapse of state communism in Eastern Europe. A triumph of 'reformers' over dogmatic 'orthodoxy' as it were.

Alternatively, as claimed by Utting, the changes in strategy may not so strongly reflect a reaction to external circumstances and pressures, but rather a response to the perceived domestic failures of the 'state-centred model of socialist development.' Thus, the economic reforms may be seen as an attempt to tackle the apparent inability of the previous state-led model to either guarantee the generation of the economic surplus necessary to cover basic needs and accumulation or to adequately maintain control of the direction of the economy towards the objectives of social and economic transformation.

Utting goes on to suggest that the reform process has usually been accompanied by political changes, representing the recognition by socialist governments of the importance of political tensions which have existed between the central role of the state within the transition process and the continually evolving internal political struggles between different social groups. He argues that the state-centred model

had not proved sensitive in responding to the changing balance of forces between different groups and has often lead to the undermining of the hegemony of revolutionary regimes as they have lost contact with the changing social reality of their populations. The reaction to any loss of consensus has often been to resort to political coercion (Utting, 1992a:63). It is such realizations that have lead regimes to give greater political space to groups adversely affected by previous policies to articulate their concerns; as well as to the recognition of the limitations, in the pursuit of socialist objectives, of economic strategies based upon centralization and the control of markets. Nonetheless, the political and social costs of the re-introduction of market mechanisms, transformations in long-term productive strategy and the re-thinking of popular participation have lead to a large degree of confusion over what remains socialist about the new economic strategies, how market forces might affect long-term transformative goals, and what a less state-centred socialist strategy might look like.

The following section builds upon these general discussions by applying them in a consideration of the prospects for socialism in the specific Latin American context outlined in the discussions above.

2.8c Lessons for the Left in Latin America:

The previously detailed failures of state-led economic strategies, be they developmentalist (as in the state-led strategies advocated by structuralist economic theorists) or socialist (as in the state-led models of socialist transition described above), have left the ideological battle against Neoliberal economic theory somewhat short of ammunition. The Left's adherence to the broadly discredited state-lead approach to the development of the forces of production and the construction of a socialist society means that they appear now painfully short on alternative economic models.

In Latin America, the Left on the few occasions when state power has been attained, with the exception of Cuba, has tended to implement broad 'populist' policies designed to improve the living standards of their constituency (mainly the urban working classes although also at times the peasantry) through the expansion of domestic demand and income redistribution, whilst at the same time, however, preserving the profitability of the middle classes. Furthermore, in other situations, the Left has tended to be involved in populist coalitions (see Kaufman and Stallings, 1991 on the nature of populist economic programmes) associated with CEPAL-style developmentalist philosophies and paternalistic politics. The one to one association

made between both of these types of economic system and inflation, budget deficits and productive stagnation means that they are now largely discredited. Current debate on 'the Left' centres around with what the old exhausted models might be replaced within an effort to respond to the changing realities which the Neoliberal movement has both responded to and helped to create. At present there seem to be a number of competing perspectives:

1. A Redefinition and Strengthening of the State-Led Model: This perspective is based on the success of the Cuban model in comparison with other socialist experiences in the region. There is a school of thought which suggests that on the attainment of state power much broader processes of nationalization should be undertaken to bring the majority of the economy under the control of the government, in order to facilitate a rapid transition to socialist forms of productive activity. The key issues here relate to;

a) whether it is politically feasible that a 'Left' political party could, given present political conditions, attain unshared state power and hence have the opportunity to implement such a programme;

b) whether, given such circumstances, the state would have the administrative capacity to carry out such a programme;

c) whether such a programme would really represent a viable economic strategy.

Experience (East European, Cuban and even the Nicaraguan) suggests that the efficiency of such a programme is, at best, highly debatable, especially in the present international context outlined above. It is evident that any socialist government will have to continue to play their role in the international economy. Given this the strategy is flawed for a number of reasons, Firstly, there is the poor productive record of state-run economies (both in terms of the productivity of state production and the control of pricing and procurement) and, secondly, there is an importance, given current conditions, in the negative way in which such strategies would be viewed by the international community and potential investors. In sum, therefore, an advocacy of an unreconstructed state socialist model fails to take on board the lessons of the recent past.

2. In a similar way any attempts to either reformulate a nationalistic state-led structuralist project, in conjunction with the relevant sectors of the national bourgeoisie, through a rejuvenated import substitution process (based upon labour intensive rather than capital intensive economic sectors) would also be of doubtful economic feasibility given contemporary conditions. Furthermore, for the Left to be involved in a political coalition to reinvent a state-centred structuralist model would

be to fail to learn the lessons that the events of the 1980s have taught. As David Ruccio suggests,

"The challenge facing the Left, therefore, is to move beyond its traditional critique of free-market Neoliberal policies and its close association with the more state-centred structuralist pole of the debate, and to call into question the limits imposed by both sides of the debate." (Ruccio, 1993:39)

3. Another strand of thought suggests a relative accommodation with the Neoliberal reforms and a recognition of the international constraints presently operating upon Latin American economies. The political agenda then revolves around the development of an alliance of working and middle class interests organized around the amelioration of the social costs of Neoliberal strategies. This could broadly be called the social democratic position. This perspective is sometimes associated with the recognition that the differences between Latin America and the successful economies of SE Asia relate to the distribution of wealth. Therefore another central tenet involves the advocacy of the redistribution of assets such as land which then tends to replace the centrality of the pursuit of income equality. This, in some cases, could be articulated within the formulation of a grassroots style peasant populist programme (as advocated for example through the 'Food First' school, see Lappe and Collins, 1979). The background to such a strategy would involve the development of a more efficient and accountable state structure and a modified more inclusive social safety net which could act as a precondition for the development of the political conditions for a transition towards socialism in the future.

These three options continue to suggest that the only reasonable goal for the Left is the attainment of total, or a share in, state power and that the political organization associated with such options revolve around successful engagement in national electoral systems. There is, however, an emerging perspective that political organization should be geared around the pursuit of social transformation in itself, rather than the attainment of state power, and that through such strategies a transformed civil society can act as a catalyst for people's participation in, and transformation of, social institutions. In this case organization for the Left comes to constitute the struggle for democracy, respect for constitutional rights, and the development of grassroots activism with little or no interest in the active pursuit of state power.

In each of these cases the main issue of debate is how to gain popular support for a particular programme; which brings us onto the second major area in which the Left appears to be on the retreat within the struggle against Neoliberalism; that is the struggle for democracy

2.9 Socialism and Democracy:

Despite the long association of the Latin American Left with those movements demanding basic political freedoms in the region, it has been under Neoliberal domination and severe economic crisis that the region has swung back towards more 'democratic' forms of political organization (Espinal, 1992 ; Rial, 1991). At the same time socialism has come to be seen as a byword for a lack of basic political freedom, whilst Neoliberalism has been able to present itself as the champion of individual freedoms and citizenship. The importance of both of these aspects needs to be addressed if the Latin American Left is to successfully challenge the Neoliberal domination of the region.

Within Latin America 'the Left' has had a long running mistrust of liberal democracy. However, the events of recent years have seen the Left begin to come to treat the problematic relationship between socialism and democracy more seriously. This has involved paying greater attention to such issues as; the struggle to attain state hegemony through the mechanisms of civil and institutional society, the different ways of meeting the interests of divergent sectors once state power has been attained, and in more general terms, a recognition of the emancipatory nature of the pursuit of democratic freedoms at the local level and the way in which struggles at that level can link into wider national struggles for popular programmes. The internal deliberations within the Left about the relationship between socialism and democracy can be divided into those that have to be faced once state power has been captured (the appropriate relationship between participatory and representative democracy; the somewhat uneasy relationship between administration of the revolutionary state, party politics and grassroots mobilization) and debates about the forms of organization appropriate for either the capture of state power and/or the representation of popular interests (the aperture for democratic organization, the necessity or otherwise of armed resistance and the relationship between party politics and autonomous social movements).

2.9a Paths to Socialist Hegemony: The Armed Struggle and the Civic struggle:

Since the Second World War, two major events have coloured Latin American perceptions concerning the feasibility and the practical dynamics of the transition toward socialism: the Cuban Revolution of 1959 and the fall of Allende in Chile in 1973. Over time, the fall of the FSLN in Nicaragua will probably be added to this list. The successful example of the Cuban revolution lent substantial support to those Latin American socialists who were opposed to the involvement of the Left in, what they saw as, the bourgeois facade of elections and formal democracy. What the Cuban example suggested was the centrality of the role of a vanguard party and the possibility of a successful socialist revolution, without the need for a prior bourgeois revolution. Previously, Latin American communist parties, and other parties of the Left, had seen their role (at least in practice if not in rhetoric; see Walker, I., 1991:447) as encouraging broad nationalist, anti-imperialist and anti-oligarchic alliances with a wide range of classes and political organizations. The Cuban example, however, suggested that the bourgeois revolution was unnecessary and indeed counter-productive, diverting resources away from the real task of developing socialist consciousness. Attention instead was directed toward the development of a vanguard party and the advocacy and organization of the armed struggle in order to proceed to socialism by directly overthrowing the previous system. This way of thinking owed much to Leninist ideas as well as the example of Che Guevara and the analyses of many Dependency theorists. To such thinkers bourgeois ideas about democratic freedom corresponded to the interests of that class, in that to participate in the electoral process was to accept the rules of the game dictated by bourgeois institutions (Walker, I., 1991:449)

In contrast, however, the overthrow of the Allende regime in Chile and the onset of the authoritarian rule of Pinochet (and other Latin American dictators) during the 1970s, has lead to a prolonged reconsideration of the nature of the relationship between socialist organization and democracy.

"In the early 1970s under the Popular Unity government in Chile (and elsewhere in Latin America), the socialist Left coined the slogan "fascism or socialism." However, the advent of authoritarianism soon lead these sectors to conclude that the real dilemmas was between "dictatorship and democracy." (Walker, I., 1991:452)

It is becoming more generally thought that socialism can only be developed fully within the boundaries of political democracy and its institutions. Thus, the issues no longer revolve around the relative strengths and weaknesses of socialist and bourgeois revolutions, but rather the type of political regime. In such a way socialism is revealed as a political process, rather than a fixed end product or a



revealed truth, and a process of gradual change rather than a 'single storming of the bastions of power.' However, because the Left has centred so much of its political discourse and actions upon influencing the role of the state, or the assumption of state power, the apparent collapse in statist development theory has left it unable to take advantage of the new democratic apertures in the region. Lehmann (1990) explains the routes of this in some detail. Latin American Marxism (dependency) in particular, he suggests, has been characterized by a 'systemic' vision of the nature of Latin American society. This system they argued could be defined as both capitalist and dependent and incapable of tolerating change. Thus, such a system could not be reformed piecemeal from within but needed to be overthrown and replaced with a different system- socialism. Common to this vision was that of the new socialist system as providing a final stasis in which the conditions of society and economy would be overcome and a state of harmony achieved (Lehmann, 1990:50). Thus the conquest of state power and the consolidation of an alternative socialist system by a party enjoying massive popular support could create a society in which social conflict no longer had any material basis. In this way, as in their characterization of capitalist systems, state and society were presumed to move in harmony although quite what the relationship of one to the other was never elucidated (Lehmann, 1990:85-86).

However, recently some radical Latin American intellectuals have begun to shed the unifying assumptions that

"political institutions, social structure, the mode of production and the international system all hold together indissolubly, attempts to reform one without all the others no longer attract the perjorative label of reformism"
(Lehmann, 1990:59)

Thus, no longer are the interests of peasants and workers seen to be ranged unquestionably on one side against international and domestic capital, and no longer are the interest of social classes and social movements seen as objective and easily known. The experiences of socialist governments in power (especially the experiences of the FSLN in Nicaragua and those of the Cuban revolution) and the much discussed 'discovery' of social movements (see Slater, 1985) have introduced a new concern for the complicated nature of civil society, its relationship to the state and its control under any government, whatever its ideology. This then has introduced the Left to far-ranging discussions over the ways in which the interests of different groups within society are articulated and, more importantly, over the

constantly changing nature of those interests. The position emerging from an increasingly influential group of Latin American post-Marxists is that

"Social classes' interests are not monolithic or homogenous; they are not agents on their own behalf and should not be instrumentalized by an all powerful party.....politics is not merely the interaction of 'class representatives,' power is not 'there' in the state, to be seized." (Lehmann, 1990:61)

Thus, a perspective has been introduced which switches the political attention of the Left away from replacing the systems imposed by capital or the state towards a vision that prioritises 'social movements' as ways in which "collectivities try to create identities and worlds of their own making' (Lehmann, 1990:62), and the creation and/or protection of the democratic spaces which enable just such processes to occur. Within such a perspective, the opening up of democratic systems under the Neoliberals is seen no longer as simply an irrelevant legitimizing action of the capitalist state, but rather as a laudable goal which facilitates the mobilization of forces with the facilities to affect their own destinies.

There is a simple attraction to such arguments but they do, however, neglect a number of perspectives. First of all there is little or no attempt to get to grips with the nature of the state and its biases, where is the concept of social justice in this? The practice of democratization, furthermore, can hardly proceed without paying attention to the constitutional make up of the state. In addition there is little consideration of the political and economic power that elites have to influence or even purchase the democratic process. The danger of the swing towards an informal politics and the prioritization of changes in civil society is that the discourses of the Left, in abstracting from issues of power, interests and economic exploitation, become little more than a disguised plea for the constitutional spaces of liberal democracy.

As Vasconi (1990:31) argues,

"It is absurd to suggest that class domination by military means is identical to class domination by political means. Equally absurd, however, is the opposite idea that the resurgence of certain institutional orders- freedom of political organizations, elections and so forth- automatically establishes the equality and sovereignty of the people."

The challenge, therefore, for the Left, is to find a way of creating out of grassroots movements' concern for civil society a force for *purposeful*, but not necessarily

centrally imposed, social transformation. (Lehmann, 1990:84).¹⁴ Of even greater importance is how such perspectives can be brought to bear on the broader debates we have touched upon regarding the development of wider economic programmes in the context of national electoral systems.

2.10 An Overview:

The 1990s thus sees the Latin American Left in a very different position to even that which faced them only twelve years ago. The limited economic options open within which to formulate a popular alternative to Neoliberalism have been outlined, whilst, on the political level, influential factors have been shown to include; the collapse of the East European state socialist model and the bureaucratic and authoritarian principles which sustained it, the emerging democratic space for electoral organization in the region, and the failure of armed struggle to achieve either a lasting peace or a positive outcome for the popular sectors (here we can see the examples of Peru, EL Salvador and Nicaragua). In these circumstances Leftist political parties and popular organizations in the region are rethinking and reorienting their strategies with regard to their own inter-relationships and their attitude toward liberal democracy and the nature of civic society. In the final section of this chapter the nature of the FSLN's economic programme and the nature of Sandinismo as a political ideology are examined in relation to the themes explored in the discussion above, providing a context for the detailed study of Sandinista economic policy which follows in the ensuing chapters.

2.11 The Sandinista Conception of Socialism:

"For eleven years the Sandinista National Liberation Front (FSLN) held state power in Nicaragua and undertook a profound program of political, economic and social change... The years of Sandinista rule left an indelible mark on Nicaraguan society (Vanden and Prevost, 1993:89)

All attempts at the construction of socialism are mediated by the material circumstances in which they are born. The final section of this chapter therefore considers the ideology of Sandinismo in the context of the issues which have been explored above. Chapter Three will examine the historical legacy inherited by the FSLN in 1979 and which governed the development of their programme for government as well as the

¹⁴ For further discussions of the important role of social movements see Slater (1985), Escobar and Alvarez (1989), Fuentes and Frank (1989), Schuurman and Van Naerssen (1989) and Friedmann (1991).

ideology that lay behind it. Chapter Four, in turn, will consider the development of Sandinista economic policy in the context of the debates explored in this chapter. This section, however, briefly examines the nature of the FSLN, the influences operating upon the development of the various strands of its ideology, and how its position relates to the concerns discussed in the major part of this chapter.

Since the revolution in 1979 and the sudden appearance of Nicaragua on the centre-stage of international affairs, the nature of the FSLN has been the subject of intense argument and counter-argument. This has been apparent in the rhetoric of the US administration, the official pronouncements of the FSLN itself, and the political language of the Contra,¹⁵ as well as the myriad of different analyses of academics, journalists and politicians of all ideological hues. From an initial position of tentative accommodation with the FSLN as the focus of nationalist feeling in the struggle against Somoza, the electoral defeat of Jimmy Carter (which saw the far more reactionary Ronald Reagan elected to the Whitehouse), together with the FSLN's consolidation as the leading political power in post-Somoza Nicaragua,¹⁶ saw the US increasingly seek to characterize the FSLN as an arm of Soviet and Cuban expansion in Central America.

In this way the Reagan administration presented the FSLN as an undemocratic and authoritarian regime bent on the destruction of all private property and political opposition and working towards the construction of a totalitarian Stalinist society. The FSLN, whilst never denying the influence of Marxist thought upon their ideology, presented their intentions as being basically nationalist in orientation whilst making clear their commitment to the long term construction of socialism. Their ideology is encompassed under the term 'Sandinismo,' after the Nicaraguan hero Augusto Sandino from whom they took their name, which is examined below.¹⁷

¹⁵ The term the 'Contra' refers to the various groups active in armed resistance against the FSLN during the 1980s. In the first two years of the revolutionary period these were mainly limited to marauding groups of ex-members of the deposed dictator, Somoza's, National Guard. Following the inauguration of Ronald Reagan as US President in February 1981, the organized resistance began to grow as they received funds from the new US administration. Their numbers grew from an estimated 500 fighters in the early part of 1981 to a zenith of 15,000 in the mid eighties, although by that time they were enjoying considerable support from certain sectors of the Nicaraguan peasantry from where their numbers were increasingly recruited. Groups of Contra operated out of both Honduras and Costa Rica, and there were also several groups made up of disaffected indigenous groups from the Atlantic Coast. By the time of the 1990 elections the Contra had ostensibly been defeated militarily but their horrific activities had seen the death of around 30,000 Nicaraguans.

¹⁶ Especially following the resignation of Violeta Chamorro and Alfonso Robelo from the ruling junta, see Black, 1981:195

¹⁷ The growth and organization of the FSLN is briefly detailed in the section on the downfall of Somoza in Chapter Three.

Despite the attempts of the Reagan and Bush administrations, and internal opponents, to characterize the FSLN as fundamentally anti-democratic and committed to the creation of a totalitarian Leninist state, the nature of the FSLN is much more complicated than this. One of the major elements to Sandinista ideology is the legacy of the thought and actions of Augusto Sandino. Sandino's name has been invoked by both the FSLN and the Contra to justify their struggles. Many of the critiques of the FSLN suggest that the movement misappropriated the symbol of Sandino, subverting his nationalist ideology into the rigidities of their Marxist philosophy (see the comments by Jeanne Kirkpatrick on this which are described in the conclusion to Hodges, 1986). There are elements of truth to both positions, in that whilst the FSLN rescued and interpreted Sandino's writings for their own political struggle, and Sandino's anarcho-syndicalist leanings¹⁸ had much more in common with the FSLN's socialist project than they did with the Contra, the FSLN moulded Sandino's legacy to their own ends. Carlos Fonseca, one of co-founders of the FSLN in 1961, had spent several years collecting and interpreting Sandino's writings, and had seen within them a means whereby to focus resistance to the Somoza regime under his image.

The use of the name and image of Sandino in the generation of opposition to the dictatorship and the struggle for a new society, reflected the influence upon the FSLN of the writings of the Peruvian Communist Jose Mariategui and Antonio Gramsci, both of whom had emphasized the formation of a wider revolutionary consciousness through the use of nationalist and cultural symbols (Hodges, 1986:179 and Rowe and Schelling, 1991).

"Gramsci's interpretation of Marxism.... appealed to Nicaraguan revolutionaries because of its strong voluntarist and activist bent, aimed at conquering the hearts and minds of the working class. Like Mariategui, Gramsci provided a justification for the FSLN's emphasis on the subjective conditions of revolution and for its reliance on a specifically Christian as well as Marxist-based ideology." (Hodges, 1986:183).

There were also a number of other influences upon Sandinista philosophy beyond the legacy of Sandino. The influence of Marxism was obvious, although it was more in its Guevaran Cuban form than the orthodox Marxism which had characterized the Nicaraguan Socialist Party (PSN) which many of the FSLN activists had originated in. The quote from Hodges excellent book on the intellectual foundations of Sandinismo also suggests the influence of liberation theology upon

¹⁸ See the discussions of Sandino's writings in Liss (1991), Dunkerley (1988), Selser (1980), IES (1985), Hodges (1987), Serrano (1988), Ramirez (1981) and Wheelock (1985)

the FSLN. A factor made evident in the high posts given to the priests Ernesto and Fernando Cardenal in the Sandinista administration once they had attained power.¹⁹ The fluidity in the dominance of the three elements to Sandinista thought can be interpreted in several different ways. To some the appeal to the nationalist figure of Sandino or the Christian morality of liberation theology reflected a calculated strategy by the FSLN to downplay their commitment to Marxism in the light of contemporary international circumstances. Others suggest that the influence of ideologies other than Marxism have given Sandinismo a nationalistic rather than a class-based perspective (see Weeks and Dore, 1992a and discussions below with regard to the maintenance of a mixed economic strategy). But as argued by Vanden and Provost (1993:90),

"A truer assessment of the development of the FSLN's political philosophy would include a significant role for both Sandino and Marxism- to focus on either one exclusively is simply not historically accurate- and adequate attention to the role of liberation theology."

or Sheldon Liss (1991:169),

"The Sandinista leadership.... confirmed the principle that theory is not dogma but rather a guide to action. By blending Sandino's thinking, social democracy, Marxism, Castroism, Christian communitarianism and liberation theology, the Nicaraguan revolutionaries attempted to prevent their movement from becoming monolithic."

To this I would add that it is important to realize that the experiences of government forced a fair degree of pragmatism upon the FSLN's leadership and policies often seemed to have little relation to the ideological basis of Sandinismo. In particular the appearance of a sizeable beurocracy, with the expansion of the state under Sandinista rule, gave impetus to a technocratic problem-solving approach to government. Despite this it is still important to assess the ideological basis of Sandinismo in order to provide a context to the evolution of government policy discussed in later chapters. Hodges (1986:185-87) provides an excellent discussion of this,

"Sandinismo developed in two quite different ways, both under FSLN sponsorship. One was popular and folkloric, the other intellectual and systemic. The first consisted of Sandino's political legacy as recovered by the FSLN... a collective memory and heroic image of Sandino as a man of the people. The FSLN disseminated.. stories trammelling a desire for social change and opposition to imperialism and dictatorship. Commitment

¹⁹ This influence, Hodges (1986:185) suggests, is equivalent to the anarcho-mystic tendencies in Sandino's thought.

to this popular version of Sandinismo required neither an acceptance of communism nor a knowledge of Marxism-Leninism. The second form of Sandinismo reinterpreted and reformulated its popular content in the light of the new Marxism. In legitimizing Sandino's thought, Fonseca transformed it into the ideological axis for adapting Marxism to Nicaragua.... For the FSLN the first and underdeveloped version of Sandinismo served as a stepping stone to the second or developed version. By Marxism-Leninism, they meant the new Marxism rather than the old. Unlike the Marxism of the PSN the new Marxism allowed for a residue of Sandinismo that was not an extension of scientific socialism; it was a residue of revolutionary myths, the moral values of Christianity, the liberal commitment to human rights, and the patriotic values of Sandino. The ideology of this new Marxism... although at variance with scientific socialism, was one of the keys to making the revolution."

This extended passage helps to explain the novelty of Nicaraguan socialism, wrought by the development of the specific Nicaraguan revolutionary ideology of Sandinismo. The nature of the programme initiated by the FSLN under the influence of this ideology is briefly summarized below.

2.11a The FSLN's Economic Model and the Transition to Socialism:

In bald economic terms the Sandinista's efforts to instigate a strategy designed to transform Nicaraguan society involved the breaking of what was seen as Nicaragua's dependent position within the international system, through the re-insertion of the national economy into the international division of labour. This reflected the FSLN's interpretations of the structural weaknesses of the Nicaraguan economy given what they saw as the agro-export dominated model of accumulation's dependence on the over-exploitation of labour. The overcoming of these problems was to be achieved through a programme of agro-industrial development based upon comparative advantages gained through productivity increases and technification, which would serve to rearticulate the economy away from the traditional over-exploitation of labour (MIPLAN, 1981). In this way (and through a series of measures designed to redistribute wealth) the FSLN planned to fundamentally transform the relations of production existing in Nicaraguan society and embark upon a model of accumulation based, not on the logic of the market and capitalist profit, but rather on, what was termed, 'the logic of the majority' (Gorostiaga, 1987).

The ways in which the evolution of Sandinista economic policy evolved during the 1980s and the struggles that emerged between different perspectives on the appropriate economic model are analysed in detail in Chapter Five. A few factors should be noted here. The programme described above was heavily reliant on an

expanded role for the state within the economy, both in productive and directional roles. Despite an explicit commitment to a mixed economy, and a realization that conditions in Nicaragua were not favourable to a rapid transition to socialist relations, the FSLN were, therefore, still committed to a variant of the state-led model of socialist development outlined in Section 2.8. This was reflected in the early nationalization of the financial apparatus of the country, the centralization of the all important export sector under a nationalized export agency, and the creation of a relatively large state productive sector. In addition centrally controlled prices were introduced for many domestic and export commodities. By the middle of the 1980s this model had descended into crisis as the state failed to adequately control the economy, production plummeted, and the war against the Contra intensified. During the succeeding years several innovations to economic strategy followed; the markets governing food crops were partially liberalized and the agrarian reform deepened within an effort to reverse the worsening position of the peasant sector and to integrate them more centrally into the revolutionary process. The expansionary investment programme was cut back and efforts to ensure financial solvency expanded through a series of incentives to the export sector and the cutting of subsidies to basic consumption. The worsening economic scenario finally resulted in the adoption of far-reaching austerity measures in 1988, which again placed emphasis on the need to increase exports, the limitation of state intervention within the economy, and the control of the fiscal deficit. By the end of the decade the economy was in crisis, with the brunt of the worst effects falling upon the poorest sectors in Nicaraguan society; the urban informal sector, the poorest farmers and the rural and urban proletariat.

These issues link into the more general questions explored in this chapter concerning the relationship between markets and planning within socialist strategies, the balance between production and consumption, the role of the peasantry, and the search for alternatives to recessionary measures designed to balance budgets. All of these issues are explored further in the discussions of economic policy outlined in Chapter Four.

2.11b Sandinismo and Democracy:

The FSLN from its inception considered its position in the classic role of a Vanguard party. This is conceived of in terms of a leadership role that lays emphasis, at least in theory, upon mobilizing and transforming the masses to become masters of their own destiny rather than on other elitist conceptions of leadership that look to neutralize the political demands of the masses. A guerrilla

organization, with three distinct and contrasting strands, upon taking power in 1979, by the mid 1980s the FSLN had become something of a cross between a political party and a state administrator. In the early revolutionary years the participation of mass organizations in economic and political decision making had been encouraged and expanded through the setting up and promotion of local barrio organizations (the CDS), labour organizations, peasant organizations and the Women's movement. Sandinista leaders regularly met to discuss issues in local meetings and encouraged the full participation of the mass organizations in the running of the country and the maintenance of revolutionary hegemony. By the end of the decade these relationships had begun to break down, and with the electoral defeat of 1990, the Sandinista leadership appeared seriously out of touch with the state of public opinion.

It is somewhat easy to criticise the FSLN for the adoption of top-down structures of organization and somewhat paternalistic relationships with the mass movements and grassroots organization but any consideration of the political organization of Nicaragua during the revolutionary period must take into account two factors in particular.

Firstly, there is the lack of historical precedent for a democratic political culture in Nicaragua. The traditional political parties in Nicaragua had been effectively managed by the Somoza dynasty since the 1930s. Under the FSLN, despite its limitations and their close association with the party, considerable space had been given to the development of grassroots organizations and the trade union movement.²⁰

Secondly, the onslaught of war obviously constrained the development of a genuinely participative democracy. Factors such as the closure of *La Prensa* (the opposition daily newspaper) and the use of popular organizations as top down structures or administrators, or the means whereby resistance to policy was controlled, must be seen in such a light. However, it is true to say that the vertical relations that were established between the FSLN and the grassroots organizations meant that the processes of class struggle tended to be subsumed under the fervour of nationalist rhetoric in the struggle against the Contra. There was thus no forum to thrash out the clash of interests between, for example the capitalist or landed classes and the workforce, or between the peasantry and urban workers for example.

²⁰ UNAG, for example, has come to represent one of the strongest peasant organizations in the continent, a fact shown by their influence upon the development of FSLN agrarian policy (especially 1985-1988) and the respect with which they are viewed now, even by some of the former Contra.

2.11c Concluding Remarks:

A detailed discussion of the economic and political project of the FSLN at this juncture is somewhat premature. Before going on to outline in more detail the economic programme of the FSLN, and its achievements and limitations (Chapter Four is devoted to this end). The rise to power of the FSLN and the influences upon the development of its economic programme have to be placed within their historical context. One of the central tenets of this thesis is that a clear understanding of the political and economic experiences of revolutionary Nicaragua cannot be attained without grounding analysis in the nature of the historical development of the Nicaraguan economy, and its placement within a wider understanding of the dynamics of the Central American region as a whole. To this end Chapter Three, in the context of the theoretical debates outlined in this and the previous chapter, will examine the historical specificity of the development of capitalism in Nicaragua. This provides for a discussion of the importance of the historical legacy of social and economic structures inherited by the FSLN after the victory of July 19th 1979, as an overriding influence in the formation and effects of economic policies in the main period of study of this work.

The specific processes that have helped to shape the development of the Nicaraguan economy and, in particular, the rise to dominance of the agro-export sector are outlined as a guide to understanding the origins and dynamics of the situation that emerged in the 1980s. The dynamics of the agro-export-led model and how it has evolved and changed over time have conditioned (although not determined) the development of the political institutions of the nation (above all the nature of the state) and the formation of socio-economic classes and social groups. The nature of the relationship between the model of accumulation and these wider processes needs to be explored in some detail before any attempt is made to interpret the implications of the structural transformations wrought in Nicaragua since 1979.

The Historical Development Of The Nicaraguan Economy To 1979.

3.1 Introduction:

The sources available for studying in detail the development of productive forces and social relations in Nicaragua are somewhat limited, and studies of Nicaragua's social history are very much in their infancy. For example, Jeffrey Gould in his review of Bradford Burn's 'Patriarch and Folk' states that;

"In 1888, the Nicaraguan historian Jose Dolores Gamez, upon completing his 'Historia de Nicaragua, commented, "It would have been a human impossibility to do more, given that Nicaragua's contemporary history has yet to be written and in addition there are no libraries or archives." A century later Bradford Burns faced a very similar challenge." (Gould, 1992:632, see also Dore and Weeks, 1992a).

Within such a sparsely studied history, our knowledge of the working conditions, way of life, or even the commodities produced by, the vast majority of ordinary Nicaraguans, are the most limited of all. As argued by Elizabeth Dore (1990:103);

"One reason for the scarcity of information and analysis about the historical development of the peasantry is that their marginalization and oppression is mirrored in historical documentation- by omission."

However, within the constraints of these limitations a general characterization of historical processes can be made. Jaime Biderman (1982:1), in the introduction to his study of the development of capitalism in Nicaraguan agriculture, expresses a useful rationale for the study of these processes.

"As it evolves the process of capitalist development or accumulation generates significant changes in the composition of the productive forces in resource allocation, in class relations and in the character of the state. The specificity of capitalist development in Nicaragua stems from the particular ways in which these changes and contradictions have been manifested and the ways in which different classes and the state have contributed or reacted to them."

Biderman's Marxist approach, whilst providing insights, does not present the whole story, focusing as it does upon the impact of changes in the economy upon political and social developments. To more fully appreciate the specificity of Nicaraguan development necessitates reversing this relationship, through the exploration of the

impact of political developments upon the formation of economic strategies and their effects upon economic structures, and assessing those political developments without building into their very definition their determination by economic factors. Thus, such factors as, the influence of political ideologies, the formation of class consciousness, and how these have evolved over time, also need consideration, if the account is not to become overly dependent on considerations of the development of productive forces. A Marxist perspective on the development of Nicaragua's agro-export led model (or models) of development, whilst sensitive to the influence of the development of productive forces, should not, therefore, see these as automatically determining the course of Nicaraguan history.

Before proceeding two general comments should be made. The first is that any study of Nicaragua's history should not understate the constant influence of external powers. The importance of this has been made explicit at this juncture since, as has been noted in Chapter One, following the much discussed demise of dependency theory, it is not 'fashionable' within contemporary development theory to stress the importance of externally imposed constraints upon development. In general this reflects a justifiable reaction against the external determinism of much 'dependista' theorizing. However, this reaction can serve to obstruct an understanding of the central importance of international factors in the historical experiences of specific nations and regions. Thus, for example, it is important to stress the particularly high level of dependence on trade (in relation to the overall size of each economy) which characterizes the Central American region, exposing it excessively to the vagaries of international market movements.

At a more general level, ever since the 'discovery' of Central America in 1502, external powers have exerted a major influence upon the historical trajectory of what would eventually become the Republic of Nicaragua. From the horror and barbarism of the initial Spanish conquest and the progressive destruction of indigenous culture and the ruthless extraction of resources, both mineral and human, during the Spanish colonial period, through the domination exerted over the province by the Guatemalan Captaincy-General and the growing influence of the US and the British in the nineteenth century, to the interventions of the United States from the end of the last century and throughout the present one including their active sponsorship of the Contra War; the history of Nicaragua has been one of external intervention and political influence.

The second point concerns the fact that even those works that have attempted to place the contemporary study of the Central American region within a historical perspective (e.g. Bulmer-Thomas, 1987; Dunkerley, 1988; Williams, 1985; or Wheelock, 1985)

have tended to limit their analyses to the period following the rapid development of coffee exports at the end of the last century. Relatively few have thoroughly investigated the legacy of the colonial era upon the nature of latter developments in Nicaraguan society. At best, the importance of the colonial period upon the nature of later developments is acknowledged, but it is generally treated as a relatively homogenous period. The social relations inherited at independence are thus often taken as given; the remnants of a previous feudal order that came under the transforming influence of liberalizing elements at the end of the nineteenth century. Macleod (1973:xi) suggests that an understanding of the colonial period is of greater importance than this;

"But the colonial Spanish society of the sixteenth century was very different from the one described in the eighteenth century. What happened in the Latin American economies between the first conquests, the seizure of long-accumulated Indian wealth, the first silver booms, and the period of modern raw material supply? How did Latin America move from one stage to the other? What were these intermediate economic stages, and what effect did they have on the peoples living in Latin America."

And with what effects on the later development of the independent Nicaraguan state? In order to understand the particular legacy of the Colonial period upon the evolution of Nicaragua's social formations, and its economic and social development, it is important to examine the nature of colonial society and the social relations embodied within it, their evolution over time and, most importantly, those colonial institutions and arrangements which survived the period in one form or another. An understanding of the processes at work during the Colonial period will help to place the later development of Nicaraguan capitalism into its specific historical context, shedding light upon the initial insertion of the economy into the international economy.

3.2 Nicaragua's Pre-Colonial Heritage:

Most accounts of Nicaraguan history appear to start as if from a vacuum in 1502. Even the official documents of the Republic itself often make no mention of the fact that Nicaragua was populated before that date (see CIERA 1984:11). There are in fact various estimates as to the total Indian population that was encountered by the Spanish conquistadors. These oscillate between figures of around 600,000 to those of over one million (compare, for example, Radell, 1969:78 with Biderman, 1982:23). Stanislawski (1983:9) suggests that even Radell's higher estimates may be conservative, claiming that, in spite of colonial reports that exist, Western historians have refused to accept the higher population densities which are described therein.

Newson (1987:87-88) provides the most compelling arguments for the total figures. Using estimates of ecological carrying-capacity and the archival evidence of eye-witnesses, she estimates the total population of Nicaragua at the time of the conquest at around 1.6 million (75% of which were located in the Pacific region). This population was scattered into "*a mosaic of small tribal confederations*" (Brignoli, 1985:38), that expressed a mixture of Mexican and South American origins, although the former dominated.¹

These indigenous peoples were concentrated in the coastal regions and the lakes of the Central Pacific region, although they were spread through out the whole province. The different groups also had diverse agricultural practices, hunter-gatherers predominating in the Atlantic region, with various forms of sedentary agriculturalists in the Pacific and Central regions. Our limited knowledge of the nature of Pre-Colonial agriculture is summarized well in the following quote from Newson (1987:50);

*"Unfortunately there are only a few accounts of the land-tenure system at the time of the conquest, but it would appear that land was communally owned and allocated to individuals for cultivation. On the cleared plots various food crops were intercropped, the most important of which were maize, beans, manioc and sweet potatoes. Other crops such as cacao and cotton required specially cleared and prepared plots."*²

Given contemporary tendencies to idealize pre-Hispanic cultures in the epoch of the Colombian quincentenary it is also important to stress that,

"Pre-Hispanic (Nicaragua) was no romantic idyll. Conflict and warfare existed between Indian communities. Slavery was an established institution, and (the influence of) Mayan culture had encouraged a respect for religious authoritarianism which would soon be exploited by the Spanish clerics." (Smith, 1993:39).

Nonetheless, the devastation wreaked by the Spanish and the subsequent enslaving of the indigenous communities is made no less repulsive by the retention of a less idealized view of the pre-Colombian period.

3.3 The Conquest and its aftermath:

After its initial discovery by the Spanish in 1502, the Central American region was largely bypassed by the conquistadors until the 1520's. The first to arrive in Nicaragua

¹See CSUCA (1973:17). The two most important tribal groups, the Nicaraos and the Chorotegans, had arrived from Mexico over the preceding centuries (Stanislowski, 1983:5).

² Mention is also made of the growing of tobacco, cassava, numerous fruits and vegetables, chilli and henequin (Biderman, 1982:25; Stanislowski, 1983, 1983:4-5 and Walker, 1991:12).

were Andres Nino and Gil Gonzalez Davila in 1522.³ Their reports of the gold that they had collected led Pedrarias Davila, the infamous governor of Panama, to send an expedition to Nicaragua in 1523, under Francisco Hernandez de Cordoba, who was responsible for the foundation of the cities of Leon and Granada in 1524. Pedrarias himself entered the fray in the following year, executing Hernandez on suspected treachery, and setting himself up as governor (Stanislowski, 1983:1-3). There was no political unity with which the Indian populations of the region could have withstood the new invaders and they were subjugated relatively easily by the Spanish. Having secured the region,⁴ the Conquistadors first turned their attention toward the rapid extraction of whatever resources the newly conquered area contained. This resource base was found, first via the exploitation of the indigenous Nicaraguans themselves and, later in the extraction of precious metals and shipbuilding woods. By 1548 it is estimated that the indigenous population had been reduced catastrophically to a level below 40,000. This devastation reflected, not only those who had been killed in the conquest itself, or by the epidemics that often accompanied the conquistadors,⁵ but also by the mass export of slaves to Panama and the Peruvian mines (Romero, 1987:24). The export of Nicaraguan Indians as slaves had started soon after the conquest and by the 1530's the Conquistadors had turned the slave trade into a lucrative operation. Table 3.1 provides a series of estimates for factors thought to underly the decimation of the Indian population.

Table 3.1 Estimates for the decimation of Nicaragua's Indian population during the first years of colonial Rule. Source: Radell (1969:78-9)	
Individuals removed from Nicaragua by the slave trade between 1527 and 1548.	450,000 - 500,000
Death via disease, war or flight from Nicaragua between 1527 and 1548.	300,000 - 400,000
Further population remaining unsubjugated in the Central Highlands who were progressively decimated in the ensuing half century.	200,000 - 250,000

³ Smith (1993:52) mentions a defeated attempt by Diego de Nicuesa to establish a settlement in Nicaragua in 1509.

⁴ Although the lack of centralization of the Indian communities facilitated their subjugation by the Spanish, it also meant that there was no natural power centre upon which the Spanish could concentrate their control. Because of this certain parts of the province were to maintain outside of Spanish control for much of the colonial period.

⁵ The most notable killers were smallpox, measles, typhus, plague, yellow fever and malaria (Newson, 1987:10).

Indian slave labour was also employed in mines instigated in the Segovias (although this was later outlawed), gold panning in the rivers, and the cutting of wood and its transport to the coastal port of Realejo. All of these activities were administered ruthlessly and were intensely wasteful of human life. These activities were not only wasteful in terms of human life but also meant that, since slaves were exempt from the payment of tribute, they reduced the income accruing to the settlers as a whole from that source (Newson, 1987:99-103). The overall picture of these first twenty years or so of Spanish domination is summarized succinctly by Macleod (1973:100-104):

"The first two decades after the conquest were ones of great confusion in Central America. Labor was absurdly plentiful at first and was used capriciously and wastefully. Everywhere the Indian population declined catastrophically. The wars of conquest and the skirmishing between conquerors, overwork on gold panning, exorbitant Spanish demands for tribute and labour, the dislocations brought to the food supply and marketing systems by deprivations and forced migrations, the rapid shattering of the native culture, all played a part."

By 1550, however, the slave trade had slowed to little more than a trickle as the population level crashed. In addition, most of the metal extracting activities had been abandoned by this time⁶ The combination of these factors meant that the settlers suddenly found themselves searching for new means of enrichment. They began finally to recognize the importance of the remaining Indian population to the development of activities that could be the key to their long term livelihood (Wortman, 1982:3).

3.4 The Colonial Period:

The Mid-16th century represented the end of the conquest period and the beginning of the construction of the new colonial society of the province. In addition, from that time, the domination of the conquistadors was increasingly challenged by the Spanish Crown and its vassals, the relationship of the Spanish to the Indian communities

⁶The abandonment of the mines related to two factors in particular. Firstly, the declining Indian population meant that it was becoming increasingly difficult to obtain the labour power needed to work the mines, due both to the overall numerical decline and the growing tendency of the 'encomenderos' to guard their 'own' Indians more zealously. Secondly most easily accessible reserves had already been worked out.

reformulated, and the immediately exploitable attributes of the area exhausted. The search for profitable exportable commodities continued, but gradually the economy of the colony would come to be dominated by the largely domestic activities of the large estates.

During the period of the initial conquest the social relations established between the Spanish and Indian communities had been that of slavery. Gradually, the Crown had granted the conquistadors 'encomiendas'⁷ of Indians which were placed under their own personal protection. As well as extracting tribute from the Indians under his control, and facilitating their conversion to Catholicism, the 'encomendero' in reality used the system as a personalized means of labour coercion.⁸ Eventually, however, the encomienda system was abolished under the 'new laws' of 1542 (Woodward, Jr., 1985:43).⁹ These 'new laws' saw the responsibility for collecting tribute from the Indian communities pass from the encomenderos to royal officials who were placed under the regional control of the Guatemalan 'Audiencia'. The laws recognized the rights of the conquistadors to the lands which they already held, and later decrees in 1574 and 1601, established that a certain proportion of the tribute now collected for the Crown, would be granted to the local 'settlers'; although these also imposed the abolition of slavery and placed the government of the province into the hands of colonial administrators (Woodward, JR., 1985:43).

From the passing of the 'new laws' onward the keys to the colonial economic system became the tribute paid by the Indian communities to the Crown and local landlords (which supported government, church and military expenses as well as remittances to Spain) and a new labour system - the 'repartimiento'. This system was a form of compromise with the Spanish settlers for the loss of part of the encomienda tribute and the forced labour control that it had implied. Under the repartimiento each Indian community had to send a quarter of its tributary population to work on local haciendas successively. The combination of these two colonial institutions provided the economic relationship of the colony with the metropolis and the dominant internal labour relationship (although later both were to be superseded in some areas by free wage labour). Both the repartimiento and the encomienda were suitable for colonial

⁷Encomienda: A right granted by the King to the conquistadors that allowed them to collect tributes (in the form of goods or money and until 1549 labour services) from conquered peoples in return for bringing them into the polity, giving them temporal care, and teaching them Christianity (Stanislawski, 1983:17).

⁸ Both Conquistadors and the newly appointed Governors were given the right to grant encomiendas to individuals and the struggles that resulted over this allocation led to considerable instability, as encomiendas were granted, confiscated and re-granted.

⁹ The problems of administering the changes, the activities of the settlers' representatives at the Spanish Court, and the institution of the 'repartimiento' system (see below) ensured its continuation throughout the Hapsburg period, if in a different form

administration in Central America because the dominant Indian societies in the Pacific region had been accustomed to labour drafts and the imposition of tribute in the Pre-Colombian period; and the stratified nature of their social organization enabled the relatively small Spanish population to dominate them through their traditional forms of social organization. The Spanish were imposed as a kind of further higher tier in society above the village caciques (Newson, 1987:10-14).

3.4a The Development of the Colonial Hacienda:

The development of these arrangements shows that, at least at first, the control of labour was considered of greater importance than the control of land. At the same time as the Spanish cities had been founded¹⁰ the surrounding lands had been distributed amongst the 'settlers'; but Spanish, as opposed to Indian, agriculture was very slow to develop during this early period. The colonists' food needs were met by imports from Spain and the Caribbean, and through the tribute paid by the Indian communities. As the income to be earned from the slave trade, mining activities, or from the tribute paid by the declining Indian population, neared exhaustion toward the middle of the sixteenth century, those settlers who had opted to stay in the colony began to see their future prosperity as dependent upon their land holdings, and they gradually turned toward the development of agricultural activities (Newson, 1987:131). It was not, however, until the latter part of the century that further land occupation and titling started to any great extent and, at first, this reflected the acquisition of land for speculation in cacao or indigo exports, rather than for subsistence purposes. After the halting of the first boom in indigo production in 1630,¹¹ however, more landowners began to live for the greater part of the year on lands which they had originally bought to develop indigo exports. Gradually, therefore, although some landowners continued to try to develop export commodities, the consolidating Spanish land holdings came to display the characteristics of the archetypal semi-subsistence Latin American hacienda (Macleod, 1973:383 and Romero, 1987:223).

Biderman (1982:27) explains how the process of land colonization and the expansion of agricultural activities progressed in the early seventeenth century. As the control of land took on greater significance, the provincial officials petitioned the Spanish Crown to set up a land register in Granada, in order to allow the frontier lands to be regulated

¹⁰These towns and cities were the dominant symbols of Spanish domination throughout this early period. They were established in areas where there were large Indian populations or close to mineral deposits and chiefly functioned as secular and ecclesiastical administrative centres rather than economic ones (Newson (1987:93).

¹¹See the section on export crops below.

on behalf of the local elites and for their land claims to be legitimized. The claims were mainly made by those who had settled in Leon and Granada and in large measure reflected the expansion of ranching activities. Ranching seems to have offered particular opportunities in Nicaragua because of the availability of large tracts of under-utilized grasslands, the growth in domestic demand for beef, and possible opportunities to develop exports to other areas of the region. The major areas in which the cattle haciendas were established were on lands to the North-East of Leon, and, in the case of those from Granada, the areas around Rivas and Chontales. During the seventeenth century the number of animals grew rapidly and the cattle ranch became constituted as the dominant form of the Nicaraguan hacienda.¹²

It is worth pointing out here that the expansion of Spanish landholdings does not appear to have occurred via the direct displacement of Indian communities from their communal lands, as has been suggested by some (e.g. Enriquez, 1985:66), although this did occur on occasion. Instead they developed on unused or abandoned land generally near to Indian villages, for easy access to labour. The decline in the Indian population meant that the expansion of Spanish agricultural production did not often interfere with Indian patterns of land use, although the increase in demand for Indian labour that it embodied had obvious effects on the labour available for work on communal lands (Romero, 1987:31).

This 'formative' period, which lasted until the end of the seventeenth century, was marked by demographic and economic stagnation as the colony searched for a new form of economic dynamism and a new social equilibrium. As suggested above, the majority of the estates developed were for subsistence purposes and, in general, the commercial surplus generated was relatively insignificant (Romero, 1987:371, although see Newson, 1987:131-132). Gradually from this point onwards the haciendas became the focus of political and economic power in the colony. Most of the population continued in subsistence production, either on the Indian communal lands or on individual ladino plots, but were linked in various ways to the cattle haciendas. The haciendas thus employed both Indian and Mestizo labour in various labour relations. Solorzano (1982) mentions debt peonage and bastard salary in the case of ladino labour, with Indian labour being provided through the repartimiento system and the periodic renting of Indian labour from the village caciques.

3.4b The continued search for profitable export commodities:

¹² Medal (1987) estimates that by 1750 there were around 200,000 head of cattle in the country.

Although the subsistence-based hacienda came to dominate the colonial economy, external economic relations with Spain and the other colonies continued following a boom and bust cycle. The Central American region was marginal to the colonial trading system and hence less export oriented than other parts of the empire (Flores and Torres-Rivas, 1989:1). This was also reflected in the fact that the region was not well connected to the major inter-continental transport routes, making Central America's trading possibilities somewhat uncertain. The colonial trading system limited the colony to trade with Spain and even this had to be carried out via the monopoly run in the Guatemalan audiencia. This also affected regional trade, which was only legal if the produce was sold in Guatemala. Thus, Nicaraguan ranchers, if they wanted to export beef to El Salvador, had not only to endure the cost of transporting their produce to Guatemala, where they were only allowed to sell on certain festival days at the fairs of Cuajiniquilapa, Chalchuapa or Amatillo (Solorzano, 1982:16 and Wheelock, 1985:25 and note 20), but also had to accept the prices imposed by the Guatemalan oligarchy, who then appropriated the benefits when they resold to Salvadoran merchants.

These conditions then determined the limited export possibilities open to colonial Nicaragua. Since there was little effective demand from the internal market likely to stimulate the processes of economic growth, the problems in the development of any viable export sector seriously weakened any movements toward economic dynamism. The two major export crops that developed to any great degree in the colonial period were first cacao and later indigo.

Cacao was an indigenous crop that had been used both as a means of currency and as a privileged beverage in pre-colonial days. The Spanish first recognized its export potential in the mid-sixteenth century after the collapse of the slave trade. Commercial production in Nicaragua first developed near Rivas, although since domestic production increased markedly as well, it is difficult to calculate exactly how much was exported. The first growth cycle ended at the end of the century but there were further peaks in the mid-seventeenth century and at the end of the eighteenth century. These boom and bust cycles show the fragility of the export sector in this era and reflected such diverse factors as drought, pests, competition from less costly Ecuadorian producers, continued labour shortages and, later, British piracy.¹³ Indigo, the other major colonial export crop, was exported outside Central America. It was first developed in the Coastal Pacific region (around Leon, Granada, Rivas and

¹³ The labour problem was compounded by the fact that, although cacao cultivation is not ordinarily a labour-intensive activity, in Nicaragua the strains were not hardy and required substantial attention and irrigation with obvious effects on demand for scarce labour (Newson, 1987:139).

Managua) at the end of the sixteenth century, but its growth stagnated for the majority of the following century reflecting market changes, the predictable labour shortages (from 1581 it was illegal to employ Indian labour in indigo processing due to the extreme health hazards) and the lack of infrastructural development. Further booms followed in the late seventeenth century and for much of the eighteenth century. The latter reflected the breaking of the Spanish trading monopoly as the dye was exported to meet the demands of the developing British textile industry.

Despite the periodic successes in the exports noted above, the colony remained relatively self-sufficient. The hacienda, the dominant unit of production, continued in many ways to be a practically self-contained domestic concern, that engaged in export production only as a secondary activity.

This is shown clearly in the two following passages;

"Cacao was not exported heavily, indigo did not approach Salvadoran levels and the sparse population effectively determined that ranching predominated with cattle outnumbering human beings. Indeed so substantial were the opportunities for subsistence farming that the ejido was consistently defended as a means of keeping the labour force near urban settlement and thus available at harvest time. Production of gold and silver was too modest to exercise much impact except, perhaps, to make state power rather more attractive than would otherwise have been the case." (Dunkerley, 1988:18).

"Even so by the end of the eighteenth century commercial export was still not the mainstay of the most of the region's inhabitants. Even the landholding class was engaged more in subsistence farming and production for local markets than in plantation production for overseas markets." (Woodward, Jr, 1985:69).

In general terms, it seems that the dominance of the cattle hacienda was such that their owners in the late colonial period did not look to develop the production of the classical export commodities to the same extent as the other Central American Republics. The hacienda functioned as security for the latifundista, guaranteeing his own subsistence, the provision of beef for the growing domestic market, and periodically exports to neighbouring countries (Lanuza, 1983:21).

Levy, writing at the time, was clear on the long-term stagnationary effects of the dominance of the cattle hacienda;

"The cattle hacienda has been until now the base upon which the few moderate fortunes that there are in Nicaragua have been founded.....That peculiarity, that the richest families, and by consequence of greatest influence, are owners of cattle haciendas, is one of the facts that most

contributes to hinder the development of the republic." (Levy, quoted in Lanuza, 1983).

In summary, the problems imposed by Nicaragua's position in the colonial trading network, meant that export production tended to be intermittent and economic activity continued to centre upon goods for which there was an internal market. By the end of the colonial period, however, the Spanish mercantile system had undergone a gradual process of liberalization. First the Seville/Cadiz monopoly had been dismantled in an effort to provide a legal alternative to the widespread practice of smuggling. Then a further series of reforms in the 1760's lead to the General Free Trade Act of 1778. Thus, the Bourbons effectively opened participation in the previously closed colonial trading system to a wider circle of both Spaniards and colonists. Despite the increased opportunities, however, Nicaragua's position on the fringes of the colonial trading system meant that commerce continued to be limited and the fortunes of the export sector did not have a substantial effect on internal economic cycles (Woodward, Jr., 1985:65). The proportion of exports to GNP, whilst difficult to calculate, was assuredly not high, Medal (1987) estimates the total exports of the colony for 1799 at 569,000 pesos, a level of perhaps three pesos per capita. The composition of exports for the same year is shown in Table 3.2 which illustrates the dominance of livestock, indigo and cacao at the time.

3.4c Social Relations during the Colonial Period:

Following the conquest, the remaining indigenous economy was at first maintained in a relatively autonomous form, subsisting, paying tribute, and providing labour for the haciendas via the repartimiento. However, over time as the demand for food and labour grew in the haciendas and cities, and various export commodities were periodically developed, the cohesion of the Indian communities began to be partially broken down. Over time, Indians began to leave their villages, either for the cities, or to work as employed labourers on the haciendas. Quite to what extent this occurred is open to some debate because the sources concerning agricultural production for the period are sketchy at best, and give only vague inferences as to the relationship between subsistence production and labour on the haciendas. As discussions below will suggest, however, an important Indian population still existed at the end of the colonial period. What it is possible to maintain is that by the end of the eighteenth century the ladino population had become the dominant social group numerically in

Table 3.2
Nicaraguan Exports in 1799 (in pesos)

Outside Central America:		Intra-Regional	
Indigo	160,000	Cacao	220,000
Pitch	10,000	Cattle	100,000
Wood	5,000	Horses	6,000
Coal	3,000	Mules	150,000
		Cheeses	16,000
		Maize	12,000
		Cotton	8,000
		Pearls	5,000
		Others	3,500

Adapted from Medal (1987) p.17.

Nicaragua.¹⁴ Over what period this actually occurred, and to what extent, is the subject of some debate. Macleod (1973) even claims that by the mid-seventeenth century the Indian communities had practically disappeared in Nicaragua. Nevertheless Medal (1987) argues that, even as late as 1881, the major victims of Pedro Joaquín Chamorro's agrarian laws were the Indian communities. In the latter years of the colonial period, however, it is certain that the haciendas began to rely more and more on ladino rather than Indian labour.

It is interesting to note, however, that the importance of the repartimiento in the provision of labour in colonial Nicaragua did persist for much longer than in the rest of Latin America. This can be explained to some extent by the nature of the labour shortages in the Nicaraguan economy and the lack of profitability of many of Nicaragua's economic enterprises. Despite the continuation of the repartimiento, other forms of labour relations came to dominate Nicaraguan society (e.g. debt peonage, other forms of servile relations and, in some cases, free wage labour). Furthermore, the agricultural production from the Spanish haciendas and small ladino farms came to exceed that of the remaining Indian villages. Thus, towards the end of the colonial period, tribute had become less fundamental to the functioning of the colonial economy (see Solarzano, 1985 and Romero, 1987). This does not infer, however, the disappearance of Indian communal production or the dominance of market relations. Wheelock (1985:60) argues that the major part of Nicaragua's population continued to remain marginal to the developing market economy and that most continued to subsist on small plots (according to Levy, 1969 even in 1870 the major part of the population were engaged in subsistence production of which over 40,000 continued in communal indigenous production).¹⁵

¹⁴ The distinction between Indian and ladino is not as simple as it might appear. If 'Indian' is understood as a racial category then by the end of the colonial period there would have been few Indian villages where miscegenation had not penetrated and thus few biologically defined 'Indians'. But if the term is defined culturally then where is the distinction between Indian and ladino to be drawn? Even those Indian communities surviving into the post-colonial period would have experienced profound changes in their economic organization and socio-political institutions.

¹⁵ The decline in the centrality of Indian tribute to the functioning of the colonial economy is important to understand since it carries with it a number of important implications. Often the whole of the period of Spanish domination has been characterized as a dual system of Spanish as exploiters and Indians as victims. Obviously such a conception has some validity when applied to the period of the conquest and the first decades of colonial rule, but the situation becomes more complicated with the growth of the mestizo/ladino population and the breakdown of the indigenous communities (Romero, 1987:285). If the social relations inherited from the colonial period are thought to have had a degree of influence upon the later trajectory of the Republic then it is important to go beyond the dualistic conception. By the time of independence the 'Indian/Spanish' dichotomy was of less and ever decreasing significance in Nicaragua than the 'landlord/ladino/campesino' relationship.

3.4d The Emerging Nicaraguan State and Regional politics in the colonial era:

Internal politics during the colonial period revolved around the rivalry of the cities of Leon and Granada and the domination exerted over the whole of the Guatemalan Audiencia by the oligarchy of Guatemalan merchants. In many ways these two factors were inter-related since the political and economic domination of the Guatemalan elite precluded the development of a strong national identity in the Nicaraguan province which fomented the rivalry between the two city-states. Leon was the administrative centre of the colonial province, whilst Granada had developed initially as the chosen place for the richest merchants as they arrived from Spain or Panama. The economic growth of each city occurred independently. Leon controlled the ports of Realejo and Corinto and was important in the development of ranching activities, whilst Granada, more active as a commercial centre and tied to cacao, tobacco and sugar production, developed the maritime route of Lake Nicaragua-Rio San Juan-San Juan del Norte. The existence of these two isolated and often antagonistic groups was a strong obstacle to any strengthening or centralization of the weak colonial state.

The change from Hapsburg to Bourbon rule in Spain seemed to offer the possibility of a strengthening and centralization of the state apparatus in the colonies which might have overridden the basis of the intrigues between the two cities (Woodward, Jr., 1985:63). Flora and Torres-Rivas (1989:8) characterize the establishment of Bourbon rule as representing a shift in Spanish policy toward its American colonies from an extractive perspective toward a more developmentalist one; in that their officials began to invest in the colonies rather than simply acting to facilitate the flow of tribute to Spain. As suggested by Wortman (1982:131);

"Unlike their predecessors, the Bourbons did not depend upon remissions from Central America as a sign of the loyalty of the kingdom to the metropolis but viewed the colony as an integral part of the empire from which earnings could be better extracted through commerce and more efficient government"

Indeed after the great fiscal reforms of 1763, remissions to Spain were largely ended and a new colony-wide fiscal administration was set up. The increase in local revenues was used to enhance the development of an emerging state bureaucracy and, later, to expand defence spending in an attempt to combat the increasing influence of other foreign powers in the region. At the same time the last forty years of colonial rule, before the onset of the struggle for independence, saw a boom in overall Central American trade figures which began to transform the economies of the region. Wortman argues that the expansion of productive activities in the Nicaraguan

tablelands reflected their incorporation into this expanding trade network, as suppliers of grain, cloth and meat to the growing populations of the indigo regions of the other republics. Thus, the last years of the colonial period began to see the differential development of particular regions of the Central American territory with specific economic characteristics and the formation of new interest groups (Torres-Rivas and Pinto, 1983:74).

For a number of reasons, however, the increasing engagement in international trade and the modifications introduced into the workings of the colonial system by the Bourbon reforms, did not bring about as many fundamental changes as might be imagined. First, and foremost, the power of the Guatemalan oligarchy over trade and its overall economic management of the region was not broken despite attempts instigated from Spain to do so.¹⁶ The emerging commercial production in the different regions was still weak, even in El Salvador, and the Guatemalan oligarchy managed to outmanoeuvre any attempts at breaking their control over it. Their power over trade was therefore not broken under the Bourbon reforms, they simply found new ways of exerting it. This was mainly achieved through their rigid control of commercial capital which was used to maintain their privileged position in relation to production. Overall, therefore, by the end of the colonial period commercial activity was still very limited and the development of the national state apparatus still severely constrained. However, the Bourbon era had seen some changes in the functioning of the colonial system, the development of new interests geared around production for export markets and increasing diversification in the economic activities engaged in across the republics.

3.4e Overview of the Legacy of the Colonial Period:

Summing up the effects of the colonial period upon the development of the emerging Nicaraguan state a number of themes emerge. The legacy of the conquest and the slave trade of the sixteenth century produced a recurrent problem of labour shortages, that at least contributed towards the labour extensive style of agricultural development that came evolved - the cattle-based hacienda. This dominant cattle-based hacienda produced a particularly inward-looking elite in comparison with the other parts of Central America (see discussions in the following sections).

¹⁶Torres-Rivas and Pinto (1983:78) explain how Galvez, one particular president of the Guatemalan audiencia, sent by the Crown to break the economic power of the oligarchy, founded the Montepio, a kind of colonial bank, to liberate producers from the oligarchies' monopoly of credits, and also liberalized the cattle fairs. He ultimately failed in his intentions, not least due to the insufficient size of funds available under the system.

The discussion has also served to seriously question the validity of a certain type of characterisation of the colonial period which has been expressed in a number of discussions of Nicaraguan history. This position argues that the contemporary dependency upon export production originated in the colonial period and helped to determine the direction of later developments. A number of examples of this position follow;

"The most important legacies of those years (The 300 years of colonial rule) are an economy built around export agriculture" (Close, 1988:10).

"From the first incursions of the Spaniards in the sixteenth century however, indigenous subsistence agriculture began to be squeezed out by export crops such as indigo." (Fagen, 1987:18)

"At the beginning of the seventeenth century, Nicaragua began producing indigo, which soon replaced cacao in terms of its importance in agro-export production. In addition to reinforcing the emerging agro-export model of development, indigo production initiated the dramatic seasonal variation in labor demands that have characterized the agrarian sector ever since." (Enriquez, 1985:266)

Enriquez, in particular, places her study of the agro-export sector in Nicaragua within a dependency perspective and, in many ways, this is from where the problem arises. Within such a perspective Nicaragua is said to have become increasingly integrated into the emerging capitalist world economy during the colonial period via its agro-export crops. In addition, Enriquez claims that the repartimiento system and other forms of ensuring labour on the haciendas gradually brought the majority of peasant farmers under capitalist relations of production. However, it has been observed in the present study that the vast majority of agricultural production remained on a subsistence or domestic basis during the colonial period and even the seasonal demand for labour in the periodic indigo booms did not touch the majority of the rural population. As expressed in CIERA(1989: vol.2, p.20) the colonial economic system was relatively independent of the international system.

One further related point is that the majority of historical accounts of Nicaragua have treated the three hundred years of colonial rule as an homogenous period of feudal social relations. In fact the development of social relations in the colonial system followed a complicated path. The initial extractive period was characterized by servile social relations and entrepreneurial ambitions on the part of the first conquistadors. Gradually the development of large land holdings came to form the social and economic base of the colony and the relationship of the landholding classes to the Indian and ladino populations was varied and changed over time, as did their

relationship to the colonial administration. Finally the advent of the Bourbon Spanish monarchy started to give an impetus to the processes of state formation that were to emerge more fully with all their contradictions in the Post-Colonial period. It is in fact this consolidation of a peculiarly Central American version of Spanish feudalism that provides the most important legacy of the colonial period, not any emerging engagement in international trade.

3.5 The Post-Colonial Period: Intra-Elite Tensions and the 'Age of Anarchy': From Independence to 1858

If interpretations of the colonial experience in Nicaragua and its legacy have been subject to misapprehension and oversimplification then the same can most definitely be said for the first decades after independence. As Bradford Burns (1991) shows in his excellent study of the period, this 'Age of Anarchy' represents almost the only stage of Nicaraguan history when the nation was not under the sway of some external power. The period was, however, characterized by an almost continual struggle for domination between the various sectors of the Nicaraguan elite, and in particular, those belonging to the city-states of Leon and Granada. In the majority of Nicaraguan historiography this has been presented as a struggle between Liberal (Leon) and Conservative (Granada) ideologies over the future direction of the republic, but what exactly the terms meant in the specific context of Nicaragua in that period, how influential they were, and their role in the emergence of the Nicaraguan nation state in the years following 1858 need careful consideration.

3.5a Introduction:

The Nineteenth Century was a period of dramatic change in Nicaragua. Independence was achieved with a minimal degree of conflict but then, after a brief period of regional federalism as part of the short-lived Central American republic, the nation descended into a period of inter-oligarchic struggle. This first period of independence was thus characterized by the intensification of many of the internal contradictions which had been fomenting during the latter stages of the colonial era, and the political unrest which this embodied led to continuous economic stagnation or even decline. Independence came to Nicaragua on the 15th September 1823. Towards the end of the colonial period, as shown in discussions above, Nicaraguan merchants and landowners had begun to challenge colonial trading patterns, they had also started to come under the influence of Liberal European ideas. During the following years these ideas bestowed to the competing sectors of the elite a vision of future prosperity which

could be secured through the exploitation of Nicaragua's unique geography (as a potential commercial channel between the Atlantic and Pacific oceans), and abundant natural resources, through the rapid expansion of agrarian exports. This vision of commercial success through the development of agroexports, although somewhat tardy in its eventual implementation, was to provide the building blocks for the consolidation and modernization of the Nicaraguan state, and in many ways still remains hegemonic today. In the Nicaraguan context, however, this incipient liberalism was pursued in an economic, rather than a political form (shorn of the democratic voice which characterized liberalism in say its Mexican or Colombian context). A commitment to equity was voiced in the various constitutions which appeared, but the central tenet of Nicaraguan and Central American liberalism was (and remained) the pursuit of free trade and the expansion of commercial agriculture (Dunkerley, 1988: 4).

3.5b The Roots and Nature of the Conflict between Leon and Granada:

The often ruthless struggles between the Liberals and Conservatives which dominated this period meant that, in relation to the majority of newly independent Latin American colonies, Nicaragua was late in facilitating the emergence of a centralized nation state. One of the most important reasons underlying this was that in Nicaragua the ruling elites owed more in allegiance to the strongly localized power centres of their city-states, than to any more abstract idea of the nation. As the nineteenth century progressed, however, the influence of notions of modernization, nationhood and development began to be felt and, over time, the modern nation-state of Nicaragua started to take shape. However, this was a long and slow process. As expressed by James Dunkerley;

" Pockets of commercial agriculture and allied mercantile circuits existed in a much more extensive economy dedicated to subsistence farming and petty commodity production within a semi permeable provincialism, yielding very little revenue to a minuscule state apparatus controlled through the conduct of a largely pre-modern politics." (Dunkerley, 1988:4)

It wasn't until the devastating conflict between Leon and Granada had brought virtual ruin upon the two cities that the elite began to become more unified and the modern Nicaraguan state began to take form (Bradford Burns, 1991 4).¹⁷

¹⁷ A detailed discussion of the military struggle between the Conservatives and the Liberals does not need to be outlined here. For an excellent account see Bradford Burns (1991).

As noted in the last section, Leon was the political and administrative centre of the province. It has been suggested that the Liberal elite there were most representative of the influence of the Bourbon reforms and also demonstrated the influence of republicanism and liberalism, the former in contrast to the federalist goals of the Liberals in other Central American states, and the latter through a desire for free trade, economic development and progress, anti-clericalism and anti-slavery (Torres-Rivas, 1969:37-39 and Flora and Torres-Rivas, 1989:9-10).

The Conservatives of Granada, on the other hand, had been most closely associated with the social relations and cultural norms that characterized the colonial order, and in some ways represented a continuance of the Hapsburg colonial mentality, with an emphasis upon the desire for stability, continuity, order and moderation. This group was comprised of traditional agrarian interests along with the more conservative ladinos and merchants. Granada was a smaller city than Leon (in 1823 the population of Granada was around 10,000 as opposed to 32,000 in Leon, Bradford Burns, 1991 7-8) but was in many ways the most influential merchant city, controlling the outlet to the Atlantic through Lake Nicaragua and the Rio San Juan, as well as dominating the fertile lands of Masaya and Rivas and the cattle dominated region of Chontales. In addition Vasquez (1983:145) outlines how Granada, at least until the end of the 1850s, practically monopolized control of national customs revenues.

Despite the differences between the two cities and the precedence that they have been given in traditional examinations of this period (in particular the impression given of Leon as the centre of liberalism and change, and Granada as the centre of continuity and conservatism), it could be argued that there were more factors held in common by the elites of the two cities than those which divided them. The elites of both major cities held a common vision of future prosperity and modernization, based upon the perceived need to enter the international market place through a rapid expansion in the export of agricultural commodities and the development of an inter-oceanic transit route.¹⁸ Thus, the internal divisions of the elite related not so much to different ideological visions, but rather to the question of who was to oversee the modernization process, and how, i.e. which families would make the most economic and political benefits (Bradford Burns, 1991 12-14).¹⁹

¹⁸To this we could add that those purporting to hold 'conservative' or 'liberal' positions resided in both cities. There were no real political 'party structures' and the statements of intent or principle issued by the two sides of the conflict in many instances differed remarkably little. Furthermore, when in power both groups exhibited remarkably similar intentions within the constitutions which they promulgated (although see Bradford Burns, 1991 21-24).

¹⁹Thus the struggle between Liberals and Conservatives in Nicaragua was not a struggle between rival political parties in the contemporary sense. Neither was it a manifestation of the classical

As the authority of the Spanish crown and the Guatemalan audiencia diminished, so the struggle within the Nicaraguan elite had intensified as the two city-states vied for dominion. This process was first reflected in the different positions of Granada and Leon with regard to Iturbidean annexation, continued in struggles within the Central American federation, and climaxed with the Liberals' involvement with William Walker in the 1850s. The question remains as to why Nicaragua appears to have been so much more fractured than other Latin American states in this period. One of the key factors is that the military and the church, powerful and directional influences in other parts of the region, in Nicaragua were weak, and in many cases, as much a part of the factional strife as other sectors of society. Furthermore, each of the cities was self-sufficient in food production through their control of the fertile lands around them, and more closely linked to foreign markets, through the ports they controlled, than they were to each other. Overall then,

"No institutional structures and no psychological solidarity existed to ensure the creation of a viable nation state on either an isthmian or local level. Contrary to the experiences throughout much of Latin America, no caudillo emerged to consolidate the state and substitute personal strength for the missing or feeble political institutions. Furthermore, centripetal social, economic and political trends polarized the inhabitants around Granada and Leon, contributing nothing to the task of nation-building." (Bradford Burns, 1991:67)

or as expressed by Lanuza,

"In terms of the state the period reveals the preponderancy of regionalism over integration, the consolidation of social groups within each of the regions, and the practically total absence of an agroexporting bourgeoisie that would consolidate the nation for its own ends and that of the metropolitan countries." (Lanuza , 1983:94)

3.5c The Economic Dimension:

The first decades of independence saw the continued dominance of the cattle hacienda as well as the long and drawn out demise of indigo and cacao production. In the decades immediately following independence, therefore, the Nicaraguan economy continued to be fundamentally domestic in nature; although its links to the regional market as a supplier of food and cattle-related products continued to have some

struggle between conservative remnants of a colonial oligarchy and an emerging liberal urban bourgeoisie.

importance. In economic terms the period can largely be characterized as one of stagnation and decline, excepting a brief recovery during the 1820s and early 1830s (Close, 1988:14). The cacao market collapsed under the pressure of increasing competition from Venezuela and Ecuador; whilst expanded cattle production in El Salvador supplanted Nicaraguan exports in the Guatemalan market (for a more detailed discussion of economic fortunes during the period see Lanuza, 1983:32-35).

As Lanuza (1983:34-35) explains, our understanding of the economics of this period is at best partial. Those national figures that do exist are limited in detail (often not including cattle exports) and, more importantly, say nothing about the control of production, the means of employing the labour utilized, how the activity was financed, and how production was marketed. He does, however, outline aspects of the development of a number of commodities during this period. There were some experiments with the production of indian rubber (chiefly after the 1860s), timber continued, periodically, to be an important export through Realejo (chiefly in the 1830s), and mining activities continued to play a key role (although the exploitation of newly discovered deposits was seriously impeded by the civil war). Indigo also continued to figure in Nicaragua's exports but, from a peak toward the end of the colonial period, production declined throughout the nineteenth century, apart from a brief resurgence in the 1830s.²⁰

In sum, throughout this period the export sector still represented a very small proportion of economic activity in Nicaragua. The subsistence economy of the indigenous communities, ladino smallholders, and to a certain extent the hacendados and ranchers, continued to provide for the needs of the Nicaraguan people, largely through providing for their own subsistence, but also through the production of sufficient surplus to serve local markets. Despite the dislocations of the constant conflict, the domestic economy continued to be so productive that Bradford Burns (1991) refers to contemporary reports of remarkably well stocked markets in Leon, Granada and Managua. He goes on to say,

"The total value of the products sold or bartered annually in the local markets is unknown: the amount and value of foods consumed in households before surpluses reached the market places have not even been estimated. Economic history concentrates exclusively on foreign exports. The unbalanced assessments of economic performance make it difficult to assign a value comparison between internal and external trade and to calculate total production. Still, several tentative conclusions should be considered.....During the period 1821-1858 the known activities of the

²⁰In 1800 indigo production had constituted around 28.1% of Nicaraguan exports (Lanuza, 1983:72) by the end of the 1860s indigo production had all but ceased in Leon and Granada and was largely limited to the area around Rivas.

internal and external markets suggest that the internal market was more active and probably more lucrative in very modest terms for more people..... Very importantly, subsistence agriculture in conjunction with the internal network market provided Nicaraguans with a decent and regular diet." (Bradford Burns, 1991:64)

The very success of the domestic sector threatened the modernizing and commercial aims and intentions of the elites, but, as Burns argues, both the elites and the rural communities benefited from this domestic trade, which is more than could be said for the participation in foreign markets which was to increasingly marginalize the rural communities in later years. However, Burns' perspective on this does tend to hide the fact that exploitative relations of production also existed in this domestic sector. It is to the changing nature of rural social relations that this encompassed to which we now turn.

3.5d Social Relations in the Countryside:

"The church, the land ownership patterns, the patriarchal family, the concentration of economic and political power in the hands of a few, the privileges and benefits accruing to the socially favoured- passed into the national period virtually unaltered and seemingly unalterable." (Bradford Burns, 1991:30)

Independence did little to affect the position of the rural majority, although in many ways the anarchy of the first decades of independence actually served to protect the simple way of life of the majority of Nicaraguans. In the final years of the eighteenth century there had been an increasing process of land concentration, in particular through the development of ranching in the Northern and Central regions. This was possible without having a severe effect on the rural communities, not least because of the limited requirements that the ranches had for labour. Alongside the consolidation of the cattle latifundios the majority of smallholders and Indian communities worked small multi-crop parcels of land, mainly for subsistence purposes, although some generated a small surplus (Biderman, 1982:37).

Bradford Burns' (1991) account of the period rests heavily upon the distinction that he draws between 'patriarch' (a concept which he never adequately defines but by which is meant the landowning elites) and 'folk' as existing in their own separate worlds. His depiction of the rural communities as existing separately from the political struggle of the patriarchs ultimately fails to convince. Although he is right to stress the lack of interest expressed by the majority of Nicaraguans in the elite's programme of

modernization, trade and nation-building, he tends to underplay the relations that existed between the patriarchs and the folk (to use his terminology) and the historical bonds that tied specific communities to specific patriarchs.

Land had never been in short supply in Nicaragua. The biggest economic problem that the elites faced in implementing their vision of future prosperity based upon trade, apart from their failure to agree upon a power-sharing compromise, was obtaining labour. The control of labour, however, depended upon the ability of the elite to control the access of the rural communities to land (Biderman, 1982:35). Only a small amount of national land was under cultivation and the patterns of land ownership were varied; including church land, communal and ejido lands associated with villages, towns and cities, private land of all sizes and government land (i.e. vacant land, which represented up to 80% of the national total).

This suggests the coexistence of diverse and distinct relations of production. In various ways, however, the Indian communities and other small farmers were becoming increasingly tied to the consolidating estates through a variety of measures (Dore, 1990). Thus, although, Bradford Burns (1991) argues that the mechanisms of labour control of the colonial period faded in the early years of independence (through the abolition of slavery and the relaxation of the regulation of Indian labour) and were not quickly replaced, giving the rural communities a unique and short-lived control of the labour market at that time, this probably under-estimates the ties that still existed. Admittedly forced labour was officially abolished in 1812, but it seems that new forms of labour coercion were developed and, in reality, many of the less 'formal' social relations established in the colonial period (such as rent in labour services or in kind, see Romero, 1987) continued to function, and both were used to tie labour to the consolidating large estates. It is also apparent that the 'folk' and 'patriarch' communities of Burns' account were far more vertically inter-connected than he gives credit to. In some areas the Indian and other rural communities lived in relative isolation from the local elites, whilst elsewhere they were tied into complicated systems of labour relations. The communities were most closely controlled, although not exclusively so, in the more densely populated and heavily cultivated areas of the central zone, especially where the major plantations had been developed, and less so in the more extensively farmed and marginal areas of the North (Wheelock, 1985:66).

The major feature of the period was the further reinforcement of the latifundia/minifundia distinction via the continued opening up of land by the estates. Large tracts of land were confiscated from small farmers because they were unable to prove their legal ownership. However, it still remained difficult to ensure an adequate supply of labour and, despite the methods of coercion mentioned above, this was one

of the major problems faced by the elites in their drive to commercial success. As argued by Lanuza (1983:15);

"The dispersion of the population, the existence of abundant unused land, the fertility of the soil, the inexistence of a central power capable of making effective the tough agricultural laws decreed- came together so that, during the period of study, the supply of labour was scarce."

To combat this problem, the attempts to tie labor more closely to the expanding estates were combined with laws to limit, or even destroy, the access of smallholders to land. In reality, however, the state was too weak and too divided to enforce the laws that it passed to effect this, and individual landlords continued to have the major responsibility for tying labour to their estates (Biderman, 1982:42). Thus, with the reservations outlined, one has a tendency to concur with Burns in his summary of the period that, during the 'Age of Anarchy', Nicaragua's rural communities enjoyed the greatest freedom that they had achieved since the Conquest.

"While anarchy inflicted undeniable hardships on the poor, they might have drawn more advantages from the inefficient patriarchal system than they could hope to wrest from a strong, modern, capitalistic nation-state dependent on agrarian exports." (Bradford Burns, 1991:109)

3.5e Popular Uprisings and their defeat:

As has been noted in the foregoing discussions, following the horrors of the first few decades of the Spanish Conquest, although the Indian communities were subject to the relatively heavy demands for tribute, labour, and later, taxation of the Spanish elite, they did at least enjoy reasonably secure tenure on the lands that they worked. It was not until the growth and consolidation of the large cattle haciendas, toward the end of the colonial period, that the communities began to run into conflict with the Spanish over their control of, and access to, their communal lands, but even this was at quite a small scale. In reality the communities tended to come into more conflict with the attempts by landless ladinos to encroach upon their lands. Independence did little to alter this situation.

The 1826 constitution guaranteed the property rights of both individuals and communities and the communal lands and ejidos were recognized in all of the towns of the newly independent state (Bradford Burns, 1991:131-133). As the period degenerated into anarchy and the various sectors of the elite were faced with their

evident failure to turn their 'modernist' economic visions into reality or to achieve any semblance of political stability, they became more and more obsessed with how they were to secure labour from, and limit the access to land of, the rural communities and smallholders. Legislation began to be developed which attacked the basis of communal land holdings. During the following years these intentions were developed in a series of further agricultural laws which were to finally come to fruition under the Liberal regime of Zelaya at the turn of the century.

The picture painted thus far tends to portray the Indian communities and poorer ladino farmers as acquiescent in all of this; helplessly buffeted by the whims of the battling elites. Of course in reality Nicaragua's history shows the constant struggle (both active and passive) of the communities against the ruling elites. The 'Age of Anarchy' was no exception. Indeed the struggle intensified to a scale unseen since the first years of the conquest. As the emerging state tried to coerce the rural communities to accept and involve themselves in their vision of a modern nation, based upon commerce, they resisted in a number of different ways; refusing to work on the large estates, resisting conscription into the private armies, acts of armed rebellion etc. Bradford Burns (1991:148) sees the end of the 1840s as key in this respect. He claims that the rural communities had little role in the anarchic situation in the republic until the rebellions of that time. All of this was epitomised by the struggle of the elites against the revolutionary bandit Bernabe Somoza which, he claims, represented the attempt by the rural communities to reassert their independence and emphatically reject the modernizing pretensions of the elite.

Other commentators, however, suggest that the Somoza episode was an integral part of the Liberal-Conservative struggle, with the popular forces of Burn's folk rebellions firmly on the side of the Liberals.²¹ In contrast, it appears that other Indian communities saw their future as tied up with the continued hegemony of Conservative interests. Gould (1992:632-33), in his review of 'Patriarch and Folk' explains the complexity of the relations between the rural communities and the various sectors in the following way,

"An alternative reading, however, might suggest a more vertically connected society, a social and political world with greater inter-penetration between Folk and Patriarch. Although Burns is surely on target when he argues that the folk were not particularly interested in partisan politics and preferred "to be left alone" this trend had important exceptions.....Indeed, it could be argued that Indian identity was closely tied to politics, and that the Indians allegiance depended on local historical factors and could not be deduced from their geographical proximity to Leon or Granada."

²¹ See Gudmundson (1992) for example.

In this way, Gould proceeds to explore briefly the political allegiances of particular communities showing how the Indians of Jalteva (on the outskirts of Granada) were allied to the Liberals and how several communities of Indians in the Northern highlands were linked to different sectors of the elite and at times fought against each other. These political allegiances therefore impeded any possible 'Folk' or indigenous unity in the volatile political situation of the period (Gould, 1992:633). Despite these different interpretations of the political position of the folk rebellions of the period, there can be little doubt that the final defeat of Bernabe Somoza represented the consolidation of the dominance of the elite, which coupled with the relative truce between the Liberals and Conservatives following the William Walker episode described below, marked the firm consolidation of the modern Nicaraguan state and drew the 'Age of Anarchy' to a close.

3.5f The International Dimension: Britain, the US and the Inter-Oceanic Canal:

Nicaragua first gained international significance through an evolving interest in an inter-oceanic canal route, caused by the spectacular growth of international commerce in the nineteenth century. Thus, despite the continued marginal position of the republic within continental and inter-continental trade, Nicaragua began to be a focus of wider international interest; a factor which was intensified by the activities of the various elite groups in the search for international allies to bolster their pursuit of state power.

The first external power to become involved was Britain. For a long time the British had been cultivating trade and generally extending their influence upon Nicaragua's Atlantic Coast. The severe financial problems of the Nicaraguan state (the lack of state revenue, the debt inherited from the Central American Federation etc.) laid Nicaragua open to outside interference in its internal financial affairs. The main player in this was the British consul to Central America, Frederick Chatfield. Chatfield used the power of the British navy to support the claims of British bondholders on the accumulated debt of the Central American confederation and the specific claims of individual British citizens.²²

²²For example, Lanuza (1983:105 quoting Dunlop) shows how on the 21st August 1844 the British blockaded the port of Realejo with the intention of forcing the Nicaraguan government to meet the financial claims of three British subjects; Jonas Wilson, Thomas Manning and Walter Bridge. The Nicaraguan government were not in a financial position to comply and were forced to hand over the revenue from the state tobacco monopoly for the next four years to satisfy the demands of the first two, and had to pay the other via duties from the Realejo customs (see also Smith, 1993:67). All of which had the effect of reducing the less than sufficient state funds available to the Nicaraguan government still further.

The expansion of British interests eventually culminated in their occupation of San Juan del Norte on the Atlantic Coast in 1848, and its renaming to Greytown, which the Nicaraguan government was forced to recognize in the truce of the 7th March 1848 (Smith, 1993:67). That same year, 1848, was also decisive in terms of the involvement of the United States in Central America, with the annexing of California from the Mexicans. Suddenly Nicaragua's position as an inter-oceanic route took on greater significance. The short-lived Central American Confederation had earlier commissioned a study into the feasibility of an inter-oceanic canal which had sparked the attention of various Dutch, French, British and US interests. The Nicaraguan government had also carried out negotiations with the French and the Belgians in the 1840s. In 1849, however, the Nicaraguans entered into secret negotiations with the US government with the intention of gaining their support against the aggression of the British. Finally, a treaty was signed between the two governments in September 1849, which recognized the claims of the US capitalists Cornelius Vanderbilt, Joseph White and Nathaniel Wolfe (Directors of the Atlantic Pacific Ship Canal Company) to exclusive rights over the construction of any future inter-oceanic canal in Nicaraguan territory. This was offered in return for US protection of Nicaraguan interests. The ensuing months saw a series of minor confrontations between the two Imperial powers as the relative strength of the two in the region shifted in favour of the US (Smith, 1993:70).

The Nicaraguan government were to be disappointed, however, if they thought that their protection by the US against the aspirations of the British was purely altruistic. This was evidenced by the British/US treaty of 1850 in which those two governments bilaterally agreed that any future trans-isthmian canal would be subject to joint British-US control (Smith, 1993:71). Any mistrust of the intentions of the US administration were overshadowed by the continued internal political struggles within the Nicaraguan elite. During this period the Conservatives were in the ascendancy but struggling to maintain their grip on power. In 1854 the Conservative administration of Fruto Chamorro tried to push through changes in the organization of government, through the passing of a new Constitution. This was resisted by the Liberals who looked to enlist the aid of American forces. In 1855 the Liberal leader Francisco Castellon commissioned an American entrepreneur, Byron Cole, to provide a force of American fighters to join the struggle against the Conservatives, for which they would receive land grants in Nicaragua. When Cole organized his forces they were under the command of a professional 'soldier of fortune,' William Walker, whose name has now become marked on Nicaraguan history as a symbol of American imperialism (Smith, 1993:72).

Walker, together with a force of some sixty Californians, entered the fray in 1855 and rapidly defeated Conservative forces in the capture of Granada. The Liberals, however, quickly began to regret their rashness, as Walker set about developing his own agenda. He forced a coalition government upon the defeated Conservatives and, as commander of the Nicaraguan army, effectively ruled Nicaragua through the puppet Liberal president Patricio Ricas. Although Walker was defeated by the intervention of Costa Rican forces in the Spring of 1856, they were forced to retire because of the onset of an epidemic of cholera. Walker ran a facade of an election in June of that year and by July had declared himself president. Confident in his position, Walker then proceeded to institute English as the official language of the Republic, and in accordance with his 'Southern' background, reconstituted the practice of slave labour.

Walker's dream was, however, short lived, and he soon found himself arrayed against a rather unlikely group of allies. Firstly, the other Central American states were intensely wary of the creeping spread of the US's philosophy of 'manifest destiny,' and turned to the equally anti-American British for support. In addition, Walker had angered the powerful figure of Cornelius Vanderbilt of the Atlantic Pacific Canal Company by revoking his license for the Inter-Oceanic canal route. Vanderbilt therefore effectively stopped the transit of Walker's ships and actively assisted the Costa Ricans in their efforts to secure the transit route against Walker (Smith, 1993:73). In addition, those erstwhile enemies, the Nicaraguan Conservatives and Liberals, had finally joined forces in an effort to oust the American. On the 14th of September 1856 their combined armies defeated Walker's forces at San Jacinto. By November a united Central American army had forced Walker to retreat to his original stronghold in Granada where he was eventually defeated. At that time he was saved from complete defeat by the intervention of the US navy and he returned to a presidential welcome in the US. He was eventually captured by the British navy in 1860 during the second of further expeditions to Central America. The British handed him over to the Honduran government where he was summarily executed (Smith, 1993:74).

This brought to an end the first episode in the catalogue of US interventions in Nicaragua. The US continued, however, to pressurise the Nicaraguan government over their claims to the prospective inter-oceanic canal. The Conservative regime of Tomas Martinez which was instigated after the defeat of Walker looked to the support of the British and the other European powers to counteract the growing presence of the US in the region. The American Civil War in the 1860s finally brought this period of the Imperial power struggle to an end.

3.5g The Age of Anarchy: Concluding Remarks:

In summary the period from the 1840s had been dominated by the intrigues between the British, the US and the various sectors of the Nicaraguan elite. These international concerns took precedence over any interest in the development of the nation's agro-export potential and represented the first indications of interest and involvement of the US, as well as a number of European nations, in Nicaraguan affairs. In more general terms, the period was characterized by the almost constant armed conflict between Leon and Granada and the steady growth in the interest of the Imperial powers in the geographical uniqueness of Nicaragua, both of which reinforced a decline into economic stagnation, despite the continued consolidation of the large cattle estates which had occurred during the period.

3.6 The Internal Repercussions of the Walker Episode: The Consolidation of the State: Thirty Years of Conservative Rule:

"If nationalism be an emotional identification of the individual with the nation-state and its well-being, then it matured during the difficult years of 1855-57. Nearly all Nicaraguans participated to some degree in the struggle. Indians too fought in the struggle." (Bradford Burns, 1991:213)

3.6a Introduction:

The Walker episode was a turning point for the Nicaraguan elite. The Liberals, weakened by their association with the American, compromised with the Conservative government of Martinez in the following years. The defeat of the rural rebellions of the 1840s, the final petering out of the Leon/Granada struggle to a form of compromise, and the incipient stirrings of a Nicaraguan nationalism, all enabled the following period to see the strengthening of the nation state, a level of political stability, and the embarkation upon the road to economic 'modernization'. The period from the 1860s, therefore, marked the escalation of attempts to modernize the economy through direct state intervention; processes which intensified under the Liberal presidency of Zelaya at the end of the century.

The discrediting of the Liberals, through their involvement in the Walker affair, was to be significant in the following years; although the details of that significance have been the subject of some debate. For some, (e.g. Velasquez, 1977) the period is significant because it represented the consolidation of the power of the most conservative groups

of the traditional oligarchy, and thus helps to explain the lack of progress made during the period toward the development of a strong export dominated economy and the maintenance of archaic pre-capitalist forms of economic activity and political coercion.²³ For others, however, the period marked a turning point in the consolidation of the nation state and the pursuit of economic development through the years of peace which followed. Following Lopez (1987:28) I would suggest that the latter argument is more convincing and that the period is important for the economic and social transformations instigated and the consolidation of national identity. During this period the Conservatives were able to consolidate their political dominance which finally provided for the emergence of a more consolidated national state.²⁴ Ironically many of the liberal reforms which were to come to fruition under the Liberal regime of Zelaya in the 1890s had their roots in measures taken by the Conservatives in the decades following the defeat of Walker. These measures are detailed below.

3.6b The Liberal/Conservative Pact:

The Martinez administration oversaw far-reaching political changes which would in the fullness of time eventually serve to undermine, to a certain degree, the traditional sources of political power, as the processes of modernization and state-building created new political institutions and new social classes or interest groups that grew to challenge the traditional mechanisms of labour control and the genetic mandate of political power (Bradford Burns, 1991:226-8). It is interesting to note, however, that the discrediting of the Liberals and the establishment of Conservative rule did not simply lead to the enrichment of the Granadans at the expense of the Leonese (again reaffirming our questioning of the utility of the Conservative and Liberal labels being attached to the two cities). Instead Martinez oversaw what Vasquez (1983:83) has termed a virtual pact between the different sectors of the elite.

This pact can be seen as having three basic elements. Firstly, the consolidation of the judicial and institutional base of the state through which to facilitate the expropriation of communal lands and the privatization of national lands in the expansion of economic activities. Secondly, the development and effective utilization of appropriate measures to ensure an adequate labour supply, e.g., the development, or strengthening, of vagrancy laws and other forms of extra-economic coercion. Thirdly,

²³Evidence is provided from the relative lateness of the Nicaraguan state in following the lead of Costa Rica in the establishment of a dynamic coffee export sector.

²⁴The Conservatives also gained from the growing importance of the transit route between San Juan del Norte and San Juan del Sur. The income which they earned from this, whilst not massive, did increase the value of, and the marketing of agriculture in the Granadan dominated Department of Rivas via the new road linking Lake Nicaragua with San Juan del Sur. (CIERA 1989 vol2).

the state was to more directly administer the economy, breaking the Granadan monopoly on trade, and also facilitating the development of new enterprises through the expansion of a national system of credit facilitation through the emission of state bonds. The credit capacity of the state was developed to free producers, to some degree, from the control of merchants. Granada's trade monopoly was broken through the reopening of the ports of Corinto and Barquito, the sharing out of the income from the transit route and the development and implementation of state subsidies for the production of several export crops, in particular coffee (Vasquez, 1983).

One of the central issues which the new government addressed therefore was how to effect an acceleration in the consolidation and expansion of landholdings. By the end of the 1850s, despite the continued consolidation of the large estates outlined in Section 3.4 of this chapter, property rights were still not clearly defined and it is estimated that only about a third of all land holdings were registered (Biderman, 1982:42). There were a number of contradictory pressures operating upon attempts at further legislation. The collapse of colonial rule had left some degree of ambiguity about the control of land and labour which was revealed as the expansion of land holdings came up against severe problems of labour shortages (see the discussions in the previous section). The first land legislation passes in the early Post-Colonial period had been designed to implant liberal ideas about property rights which were even extended as far as the indigenous population. As time went on, however, measures more directly aimed at easing the labour shortages were introduced. These measures were, however, in the main, half-hearted and uncoordinated, given the political chaos of the time, and it was not until the post-Walker settlement amongst the elite, that the rural communities really began to experience the full impact of the processes of agricultural modernization.

Thus, in the years following the defeat of Walker, numerous agrarian laws were passed, in particular, during the period between 1857 and 1869. These were designed to facilitate land consolidation, free commerce, and legislate for labour recruitment and retention Biderman (1982:43). The procedures whereby this was carried out can be seen in such legislation as the 1859 Decree when prices for national lands were set at such a level that only the richest could afford them. Thus, the process of land consolidation reinforced the power of the landed elites and was intended to ease the problems of labour shortages by dispossessing smallholders of their means of production. In 1859 individuals had been granted permission to acquire ownership of land within communal land holdings if they had worked it for four consecutive years. The process of legislation intensified into the 1870s as the price of land was raised still further, the limits to personal holdings scrapped, and most importantly a series of

severe vagrancy laws were passed. Agrarian judges were also constituted to oversee, approve and adjudicate all work contracts in agriculture.

3.6c The Consolidation of the Export Sector:

Coffee production really began to take off in Nicaragua in the 1870s and rapidly increased its share of total exports, although not to the extent that it had in several of the other countries of the isthmus (Dunkerley, 1988:35).²⁵ By 1890 nearly 25,000 manzanas of public lands had been appropriated of which nearly 70% were turned over to coffee production. It seems that the development of coffee production was not plagued by the shortages of labour which had affected the possibilities for most other commodities (see discussions of the Colonial period). Production was initiated in the most populous zones and areas of the most stable population growth. Furthermore, coffee cultivation was developed in those areas where the state was most easily able to implement policies designed to ensure a stable supply of labour (Lanuza, 1983:83). In addition, it appears that the lack of local capital was not such a barrier to the development of coffee cultivation as had been with regard to some other commodities. Although in Nicaragua coffee did not have the vast transformatory effects which it had in El Salvador and Guatemala during the same period, as production intensified, it did have a considerable effect on the republic. Firstly, the areas of coffee cultivation were located at some distance from the established ports which necessitated the development of the transport infrastructure. Secondly, the sheer scale of the expansion of coffee cultivation, and the active role played by the emerging state in promoting its cultivation, fundamentally altered the systems of money lending and credit and further enhanced the role of the state in the economic life of the Republic. Thirdly, although many of the 'new' coffee growers came from the more 'progressive' elements of the Leonese and Granadan elite, there were also an important group centred upon the new capital Managua. Managua became one of the largest agriculturally productive regions of the country and a counterweight to the struggle between Leon and Granada. In relation to this Vasquez (1983) argues that the appearance of new coffee-based groups within the ruling elite transformed the nature of political struggle in the republic by revitalizing more liberal ideas, he writes;

²⁵ Coffee had first been introduced from Costa Rica in or around 1825 by Dr. Manuel Matus Torres of Jinotepe, although that date has been the subject of some controversy. Lanuza refers to the writings of Dionisio Martinez Saenz in evidence, claiming that although Levy refers to the introduction by Matus as having occurred in 1849, Squier provides evidence for an earlier date by describing coffee cultivation in full production in Las Sierras de Managua in the latter year (all authors quoted in Lanuza, 1983:75-79).

"In this sense it was the coffee group that would directly grasp the liberal ideological elements in order to face the conservative oligarchic sectors....The dynamism of this new sector also affected some traditional merchant/finance groups, which in part provoked an ideological division within the traditional oligarchy- a schism that was made manifest in the appearances in both parties of dissident factions called 'progresistas' that in the ideological sphere were identified as sympathisers with the liberal ideology." Vasquez, 1983:154.

Other export activities grew following on from the end of the civil wars. Mining of gold and silver expanded in the department of Chontales and to a lesser degree in Nueva Segovia and Matagalpa. A number of mines had been instigated in the final years of the colonial period but many had fallen into disrepair during the turbulent first few decades of independence. These and newly discovered deposits were developed rapidly in the second half of the nineteenth century. Lanuza (1983:65) argues that links to the rest of the domestic economy were poor, especially in Segovia where it proved very difficult to attract workers from the dominant local cattle latifundios. Some of the expansion in mining operations was facilitated by finance from Granadan merchants but over time, encouraged by the liberalization of controls on foreign investment in mining, the more productive mines passed into foreign ownership (mainly British). This added to the insularity of mining activities which basically appear to have functioned as an export enclave.

The 1860s provided a short-lived opportunity for Nicaraguan producers to exploit opportunities in the international market for cotton occasioned by the American Civil War between 1861 and 1866 (Lanuza, 1983:65).²⁶ Sugar production for both domestic and export markets also expanded. Despite the continued labour problems, outlined above, the total volume of sugar and sub-products expanded from around 20,000 lbs (0.1% of total exports by value) in 1864 to over 300,000 lbs (2.9% of total exports by value) by 1870 (Lanuza, 1983:68). The expansion was actively promoted by the government through incentives and importation rights.

Despite the development of these activities and in particular the initiation of coffee production, throughout the period Nicaragua continued to be dominated by the cattle haciendas. Indeed, Levy suggests that in 1871 there were 1,200,000 head of cattle in Nicaragua and cattle continued to dominate the export trade of the republic. Even

²⁶ This period saw the massive disruption to cotton cultivation in the Southern states of the US lead to a dramatic increase in international prices. Taking advantage of this Nicaraguan producers (mainly in Chinandega) markedly expanded production for the export market from 1864 to the extent that for 1864 and 1865 cotton exports accounted for almost a half of the Republic's total exports. Being based upon the problems of the US producers, however, such dramatic increases could not possibly be sustained when market conditions readjusted.

though others have rightly cast doubt on Levy's ²⁷ estimates there can be little doubt that cattle raising continued to be the dominant economic activity within the Republic.

3.6d Interpreting the 'Thirty Years':

Summarizing the discussions of this period it has been outlined how the thirty year period of Conservative rule, especially the ten years under Martinez, saw the consolidation of political stability and the evolution of an export culture as coffee cultivation began to expand in earnest. Pre-capitalist patriarchal social and political structures began to give way to protocapitalist trends as the state became more centralized.

"At the historical juncture of Nicaragua beginning in the mid-1850s, an increasingly effective nation-state obliterated much of the communal past and charted a new capitalist future." (Bradford Burns, 1991:237)

Nonetheless, as stressed at the outset, interpretations of the period, whilst acknowledging the transformations which were instigated, have differed in their interpretations of their significance. The differences in perspective have in large measure related to disputes as to whether the transitions embarked upon during the period can truthfully be seen to represent the evolution of more capitalistic relations of production, given the extensive use of extra-economic coercion used to obtain labour (Gould, 1993:402). Some have argued that such a transition did not really begin to occur in Nicaragua until the Liberal regime of Zelaya and then only partially.

Velasquez (1977), thus argues, that the consolidation of the Nicaraguan state under the Conservatives during this period, and the increasing confrontation between the state and the Indian and ladino rural communities, represented attempts by the Conservative strata of the elite to reinforce servile social relations, rather than any commitment to modernization or the expansion and commercialization of agriculture. Schinke (1986:24) in the same way argues that the consolidation of the Conservatives during this period served to retard the capitalization of Nicaraguan society in contrast to the other countries of the region. In addition, he suggests the importance of the continued

²⁷Lanuza (1983:90) criticizes Levy's estimates through much lower figures that he quotes for the four most heavily ranched departments in 1867 and a national figure of only 313,000 head of cattle for 1897. Even this latter figure represents a ratio of about one head of cattle per Nicaraguan! Lanuza argues that what Levy did wrong was to assume that all the carcasses exported in the year for which he carries out his calculations were slaughtered in that year. To this estimated figure Levy added on an estimate for domestic consumption and cattle exported live to neighbouring countries and then assuming that a cattle hacienda has a productivity of 10% he calculates a total population of 1,200,000 head of cattle from his estimated figure of 120,000. What figure he would have arrived at if he had taken exports from another year is open to question.

dominance of the cattle hacienda as the dominant form of productive relations in reinforcing an overarching conservatism amongst all sectors of the Nicaraguan elite.²⁸ Elizabeth Dore (1990:104) also argues that the spread of coffee production did not lead to the proliferation of free wage labour, but rather a form of 'second feudalism', whereby the expansion of coffee production was achieved not with a fundamental change in the social relations of production but through an expansion and rigidification of labour relations based on servitude and force.

Another strand to the discussions stressed the fact that whatever the intentions of the Conservatives, the measures they implemented were not far-reaching enough to produce any profound transformations in Nicaraguan society. Thus Lanuza (1983:99) argues that,

"Historical evidence seems to indicate that in practice they were not very effective. The explanation that fits is that the dominant classes of the epoch: the Granadan rancher-merchants, did not have the necessity of developing that type of export activity. the proof of this is that it is another social group that took on the cultivation of coffee but under the financial lead of the former."

To my mind the controversies regarding whether or not, and when, the Nicaraguan economy became 'capitalist' are rather unhelpful. Any transitions between modes of production do not occur over night and any attempt at defining dates for such a process is doomed to failure. It can be convincingly argued that the development of capitalist social relations evolved partially and at different rates in different parts of the country,

"Nicaraguan capitalism was born in the period 1874-1892; consolidated in that of 1893-1909, and reinforced in the period 1910 -1949, eventually leading, from 1950, to an extraordinary surge until 1966." (Vargas, 1990:27).

The period of Conservative rule therefore represented the initialization of a process of capitalization which was to continue throughout the twentieth century. Many of the definitional problems arise from misguided attempts to locate Nicaraguan history within over-generalized considerations of the over-arching role of liberalism in affecting a bourgeois revolution in feudal society as had occurred in Europe. Or,

²⁸ In particular he argued that the dominance of that productive form was reliant on longer-term fixed capital. El Salvador on the other hand had inherited a greater dependence upon annual crops such as indigo, tobacco and rice and hence had employed more fluid uses of capital which had produced much stronger tendencies toward capitalization.

alternatively, from ahistorical 'dependista' ideas of the instigation of capitalism with the arrival of the Spanish. The gradual development of capitalism in Nicaragua, as a specific form of social relations, was not instigated through the colonial social relations imposed by the Conquest. Neither was it initiated by a 'classical bourgeois democratic revolution' which had destroyed the vestiges of the existing pre-capitalist and semi-capitalist features' of society (Vargas, 1990:52). Instead the transition towards capitalist social relations was a gradual and partial process, with the most important features being the articulation of the pressures toward the commercialization of production and the modernization of the state, with the partial maintenance of traditional forms of extra-economic coercion (see Dore and Weeks, 1992a &b)

3.7 Zelaya and the Liberal Revolution: 1893-1909

Whilst the foundations for the transformation of the Nicaraguan economy and the development of the agro-export model of development had been laid in the thirty years of Conservative hegemony it was the Liberal regime of Zelaya which marked the definitive insertion of the Nicaraguan economy into the international system as a major supplier of coffee. The period of Conservative domination was ended following the death of President Carazo in 1889 after which the Nicaraguan Assembly were unable to agree upon a successor. After a series of skirmishes the Conservatives were defeated by the 'July Revolution' of 1893, the leader of which was Jose Santos Zelaya, the son of a Managua Coffee-grower.

3.7a Liberalism and Modernization:

Zelaya oversaw a widespread expansion of the role of government in promoting economic development through the development of an economic infrastructure (roads, telegraphs and railways were built which laid the foundations for the expansion of coffee production in the Central Highlands) and the centralization and strengthening of the institutions and finances of the state (Salazar, 1987:214). Under his rule, the period saw a constant increase in exports at an average rate of 2.1% per annum (Barahona, 1989:21) and the continuing spread of capitalist relations of production into several spheres of the economy. Gould argues that the developments of this period, as well as representing the expansion of export agriculture, also saw the beginnings of the modernization of the domestic economy. The Ingenio San Antonio provides a case in point, with over half of its sizeable production consumed within Nicaragua, presupposing the existence of a reasonably-sized domestic market. Furthermore, he suggests that the nature of the ingenio was such that it could not have functioned without at least a partially free labour market (Gould, 1990:20).

Despite his association with liberal political ideas, Zelaya did not believe that free markets would be able to drag the republic through his vision of modernization and transformation. The period of his rule was therefore one of strongly directed socio-economic transformation as the role of the state was extended and the conditions for economic growth created, although not for all equally. As Gould suggests;

"During the Zelaya years, politics dominated the economy in two distinct ways. First, the state intervened in the economy. Such intervention ranged from forced labour recruitment for coffee and sugar plantations to tariff protection. Second, since so much of the government's programme involved the creation of monopolies politicized economics became quite personalized and by definition a matter of government favouritism. This latter form of political economy alienated a large sector of the elite who felt discriminated against by the Zelaya regime." (Gould, 1990:24)

Communal lands were broken up, small producers expropriated, church lands confiscated and public lands distributed. The 1902 Agrarian Law offered land grants to those willing to use land for 'public utility' and the state expanded greatly its promotion of agricultural commerce. This was taken up by many including a large number of German and English immigrants attracted via favourable immigration policy.²⁹ The legislation passed under the Conservatives to expand coffee production were also built upon through further tax concessions, cash subsidies per tree and the granting of extra land to those owning more than a given number of trees (Biderman, 1982:55).

3.7b Social Relations and the Demise of the Indian Communities:

Once again the 'Folk' were not passively acquiescent to the further encroachments made by the elite against their traditional way of life. They had first reacted to the intensification of coffee production, and the alienation of their lands, when thousands of peasant farmers were killed in the brutal repression of the 1881 uprising by the Pedro Joaquin Chamorro government (Smith, 1993:75). Many authors have given particular significance to that date in the demise of the remaining indigenous communities. Following the savage repression indicated above, it is suggested that vast tracts of the land of the indigenous communities were swallowed up and the communal productive relations of the communities broken for good.³⁰ As argued by

²⁹ Vargas (1990:54) suggests that 113,713,990 manzanas of expropriated lands were granted to foreign immigrants.

³⁰ For examples of this perspective see Wheelock, 1981 and CIERA, 1984. The latter of which details the break-up of the indigenous communities of Matagalpa and Jinotega.

Gould (1993:394), however, this robs the analysis of the social relations of the period of their complexity, and also helps to create the impression of one of the dominant myths of Nicaraguan historiography; that of the complete disappearance of Indian culture in Nicaragua and the idea of a Mestizo nation which pervades the majority of writings on the country.

How far exactly, however, had the Indian communities survived into the nineteenth century? Estimates as to the percentage of the population that could still be considered Indian vary, not least because of the difficulties involved in determining what the very term Indian represents. Bradford Burns (1991:32), however, in reviewing evidence provided by contemporary observers in 1823, 1848 and 1870, shows how, despite a considerable variance in their estimates, they all point to the continued existence of a large Indian population. During this period then, the Indian communities were probably still numerically the dominant group within Nicaraguan society (although by the end of the century the ladino population would have been the greater).

In his excellent article Gould explores the series of tensions and ambiguities which characterized the relations between the indigenous communities and the processes of capitalist expansion which occurred during the thirty years of Conservative rule and the Zelaya regime. He argues that,

"Ladinoizacion entailed an intricate web of both friendly and antagonistic interventions in the indigenous communities by Jesuits, the lay clergy, the state, political parties, and landed elites. That process combined not only real violence involving land expropriation and coerced labour, but also symbolic forms that fostered cultural alienation while enhancing the elites' claim to rule." (Gould, 1993:394)

In a similar vein he argues that the process whereby the communities were integrated into the modernization process were extremely flexible and their effects variable. The expansion of landholdings for export production, following the 1881 uprising, was accompanied by attempts to turn the rural communities into pools of permanent labour. These measures were met by continued resistance both through escape and continued sporadic violence. These trends were accelerated under Zelaya, through the granting of large tracts of land to both Nicaraguan coffee growers and immigrant Americans and Germans and their accompaniment by further measures designed to ensure sufficient access to labour, including the expansion of vagrancy laws (see Dore, 1990).³¹ Finally in 1906 the Zelaya regime decreed the abolition of the Indigenous communities, whereby half of the communal lands were to be distributed to individual

³¹In 1894, for example, judges were given the right to force anyone over the age of fourteen to work. Whilst in 1898 and 1899 the 'ley de los vagos' was established, as well as a system of worker passes.

Indian families, and the other half, offered for sale to other interested parties. The funds realized from the sales were then ostensibly to be used for the 'education' of the Indians (Gould, 1993:408). However, although,

"The abolition of the comunidades was the culmination of the prolonged attack on the highland Indians that followed the defeat of the rebellion of 1881 (which) gathered strength with the development of the coffee industry in the 1890s.It must be added that the common assumption that coffee growers expropriated most of the communal land in the highlands is simply not borne out by the available data. Coffee growers did appropriate some 50,000 acres of Indian territory in Matagalpa from 1890-1910. Yet when Zelaya fell in 1909, the comunidad of Matagalpa was still functioning with 5,000 to 7,000 families possessing more than 135,000 acres of land." (Gould, 1993:409)

The expansion of coffee production during Zelaya's rule, therefore, further eroded the position of the various rural communities. The peasantry and remaining indian communities often lost their land and became proletarianized as workers on the expanding estates, ranches and plantations, or managed to maintain access to small amounts of land but were increasingly forced to sell their labour power to supplement their own production. Others migrated to more marginal lands at the agricultural frontier, whilst still others migrated to the urban areas. despite this, outside of the areas directly effected by the expropriation of the coffee estates, large parts of the domestic economy remained untouched by the processes of modernization.

3.7d The End of the Liberal Period:

Zelaya's liberal regime ended in 1909 when he was overthrown by a US/Conservative alliance which ushered in 25 years of on/off US occupation. Zelaya had in the early years of the new century actively pursued negotiations with the US over the perennial canal treaty. Despite a certain amount of progress, such discussions were to prove irrelevant after the US were able to develop a much more beneficial arrangement with the new Panamanian state and the canal was built further South. Zelaya had continued to pursue the issue (Lau, 1989:35). He had entered into negotiations with the Japanese, secured a loan from Anglo-French sources, and gained German finance for alternative plans to construct a railroad which would link the Pacific and Atlantic regions of the country (Smith, 1993:78 and Schoonover,1991:130). The nationalist stance of Zelaya rapidly earned him the enmity of the US administration who finally succeeded in aiding his downfall in alliance with Conservatives in 1909. US citizens had joined forces headed by Juan Estrada, the governor of the Atlantic Coast region, and Conservative forces led by Emiliano Chamorro and Adolfo Diaz. The revolt was financed by US business interests and the Conservative Guatemalan president Estrada

Cabrera.³² Two of the Americans were captured by Zelaya's forces and executed. This resulted in the severing of diplomatic relations with the regime by the US administration. When it appeared that Zelaya's troops were on the point of regaining control of the country the US dispatched a force of marines to Bluefields. Eventually the new president, Jose Madriz, who Zelaya had invested in an attempt to placate his opponents, was forced to resign and Juan Estrada was installed as the new president with full support of the Conservatives and the backing of the US administration (Smith, 1993:79-80).

The overthrow of Zelaya's regime undoubtedly curtailed the programme of liberal reforms and economic expansion which had been initiated in the period following the defeat of Walker and then consolidated and expanded during his rule. Although the liberal reforms instigated had been partial they had helped to create new dominant groups within the elite sectors of Nicaraguan society and permitted the rise of new middle sectors which had come to play larger roles in the economy, society and government.

3.8 US Interventionism and the Sandino Episode:

3.8a The consolidation of US Influence:

With the installation of Estrada a new period of direct US control over Nicaraguan affairs was instigated. Between 1910 and 1933 Nicaragua was virtually a colony of the United States and was under practically continuous occupation by United States marines. During the period the commercialization of Nicaraguan coffee production passed into the hands of a US company, the privileges on the search for a canal route were ceded, and, in general terms, the economy came under the increasing domination of US capital (Lau, 1989:40-50). At the same time, the US occupation displaced the emerging coffee fraction from power, and reinforced the position of the traditional Conservative cattle hacendados. The actions and intentions of the US during the period can be seen clearly in the following quote from Hazel Smith,

"US-Nicaraguan strategy would have several constituent parts. The Nicaraguan government would be tied into a financial system where loans would be extended to the country whether they needed them or not. Profligate and often personal spending by whichever puppet dictator was currently in power would be encouraged. This spending would be paid for by even more loans. Interest rates on these loans would be hiked up in a financial process over which US government, business and banks would retain control. To cap

³² Zelaya had earned the enmity of conservatives forces in the region through his earlier support of liberal rebels in El Salvador.

it all, should this small republic shows signs of disputing the arrangements, US governments would threaten military intervention and implement it if necessary." (Smith, 1993:80).

The increasing economic role of the US can be seen from the issues that surrounded a loan of \$1.5million made to Nicaragua by a US bank in 1911. This loan was guaranteed by Nicaragua's custom's revenues and the bank appointed an American as collector general of customs as well as establishing the Nicaraguan National bank. In 1913 a new loan was made and the security this time was to include a 51% stake in the national railroad and steamship lines as well as the national bank.

3.8b The Significance of the Period:

Some interpretations of this period (Salazar, 1987 and Biderman, 1982:56-7) suggest that the overthrow of Zelaya seriously retarded the development of capitalism in Nicaragua through the strengthening of semi-feudal production relations with the return to power of the Conservatives and the weakening of the emerging Nicaraguan state. Biderman (1982:57) claims that, in accordance with DeJanvry's (1981) model of agrarian transformation, the removal of Zelaya represented the overthrow of what he terms the 'Farmer' road to agricultural development (where the development of commercial agriculture proceeds through the commodification of wage labour under a newly emerging agrarian bourgeoisie) to a 'Junker' road (where commercialization is carried out by the traditional landed class who combined coffee cultivation with traditional ranching activities) which relied upon more traditional methods of ensuring adequate labour supply and limited the transformative role of the state (see also Dore and Weeks, 1992a). As it was, the reconsolidation of the power of the Conservatives and the traditional extensive cattle ranches meant that Nicaragua's development was to remain relatively backward over the next decades. Whether this can be interpreted in the manner suggested by Biderman is open to debate. Whilst, it is certainly true that the following years were ones of stagnation, two further factors need to be stressed. Firstly, the stagnation of the economy, as suggested above, had more to do with the ransacking of the state's finances by Diaz and the US administration, than the maintenance of traditional social relations. Biderman suggests too much of a distinction between the Conservative and Liberal sectors of the elite. Secondly, the overthrow of Zelaya, rather than representing the consolidation of the semi-feudal structure of Nicaraguan society, eventually led to the monopolization of political and economic power under the Somoza dynasty, under which the development of the

forces of production and the proletarianization of certain sectors of the economy were to proceed at breathtaking speed, especially after 1950.

3.8c Resistance to US Domination:

The increasing control of Nicaraguan affairs by the US during this period was not uncontested. In 1912 an alternative government comprising dissident Conservatives and the Liberal opposition was set up in Masaya under the leadership of General Mena. The move was accompanied by uprisings up and down the country and eventually culminated in the intervention of US forces who defeated the rebels and deported Mena to Panama. Liberal forces under General Benjamin Zeledon, however, continued to resist, retaking Masaya, Jinotepe and Leon, before their eventual defeat and the death and defilement of Zeledon (Smith, 1993:85). In November 1912 Adolfo Diaz, who had succeeded Estrada in 1911, was elected president on a severely limited constituency of some 400 citizens who alone had retained voting rights.

In the following years the US control of the Nicaraguan economy and its wholesale looting by Diaz and his cronies intensified. No accounts were presented to the Nicaraguan assembly during Diaz's presidency. In October 1913 a further loan from US banks was agreed which involved the passing to US control of those parts of the National Bank and the railroads which they did not already hold, and over half of that loan went to pay off debts in the US. The Nicaraguan economy careered into crisis, as public services collapsed through lack of funds and inflation began to spiral when the government reacted to the situation by printing paper money.

The presidencies of Emiliano Chamorro and his uncle Diego Manuel Chamorro were characterized by the continued presence of the US in the determination of all economic and political matters. In 1923 Bartolomo Martinez became president on the death of the latter Chamorro, and he instigated a somewhat more nationalistic turn to Nicaraguan politics. The Pacific railroad was brought back under Nicaraguan control through the repayment of debts to US bankers as was the National Bank. He then lent his support to a unified group of disaffected Liberals and Conservatives known as the 'Transiccion Group' in the elections of 1924. The group triumphed in those elections under the presidency of a Conservative 'Transiccion' nominee, Ramon Solorzano, and a Liberal vice-president, Juan Bautista Sacasa. In the aftermath of the elections the remaining US marines left the country. The attempts of the new government to reassert Nicaraguan sovereignty were viewed with alarm by US interests and many of the measures the new government attempted to implement were blocked by Jeremiah Jenks, an adviser appointed by the US government to oversee the financial affairs of the new government.

The US's anxieties seemed to be solved the following year when Conservative and pro-US forces under Emiliano Chamorro forced Solorzano to resign and to name Chamorro as his successor rather than the Liberal vice president Sacasa. Unfortunately for the US they had signed a regional 'Central American' pact in 1923 which disallowed giving recognition to governments which had attained power by military means. This meant that they could not recognize Chamorro's government. This was bypassed by persuading Chamorro to resign, in favour of Adolfo Diaz, who was recognized as president of Nicaragua by the US following elections in 1926. Despite these problems the US had still redeployed marines to Nicaragua to back up Chamorro's government and, over the following years, there were a number of uprisings in support of the deposed Liberal Sacasa which were met with the direct intervention of US forces.

3.9 The Sandino Episode and the Origins of the Somoza Dynasty:

"I made for myself the firm promise that as soon as the war for independence came to an end... I would... free Nicaragua from the barbarism into which exploitation has submerged it, first feudal-colonial and now capitalist."
(Augusto C. Sandino in a conversation with Jose Roman, Bocay, March 1933).

By May 1927 the Liberal troops loyal to the constitutional president Sacasa were in the ascendancy over those of Diaz. Moncada, the leader of the Liberal forces wanted, however, to avoid open confrontation with the US and entered into negotiations with Diaz and the US which culminated in the 'Peace of Tipitapa'. Under the terms of the agreement the Liberals accepted the continued presidency of Diaz with the understanding that Moncada would become president in 1928 when Diaz's term of office expired. In addition the Liberals were offered six governerships in the North-West. Only one of the Liberal generals refused to accept the compromise. His name was Augusto C. Sandino.

The agreement brought two consequences which were to have lasting significance in the evolution of Nicaraguan history. Firstly, the US agreed to create, train, and, at first, command a new national constabulary, the National Guard; through the control of which Anastasio Somoza was later to come to control Nicaragua. Secondly, the apparent betrayal of the Liberal forces to the US imposed agreement led Sandino to

embark on a renewed war of 'National Liberation' free of the factional struggles for power of the Liberal/Conservative struggles.³³

In the aftermath of the agreement, Moncada, backed by US forces set about what was expected to be the relatively easy task of wiping out Sandino's forces which were mainly composed of miners and peasants from the Northern part of the country (Vargas, 1987:34), although he also attracted followers from other parts of Latin America.³⁴ By the close of 1927, however, Sandino still maintained control of most of the Segovias and had founded Ciudad Sandino as the new capital of the liberated zone. Having suffered a heavy defeat in a set-piece battle at Ocotal in July 1927, Sandino had retreated to the mountains from where a more successful guerrilla campaign against the US marines, and the newly formed National Guard, had been mounted. Despite the fall of his stronghold at El Chipote in January 1928, Sandino's forces continued to harry the marines and the Guard who responded by unleashing a reign of terror upon the peasantry of the Segovias and a policy of widespread blanket bombing. Later that year elections were held which saw Moncada returned as president but the struggle against Sandino continued unabated. The US administration, beginning to face rising domestic pressure to withdraw the marines, decided to straighten the National Guard and withdraw their own forces. Thus in 1930 the leadership of the struggle against Sandino passed to the Guard and two thirds of the marines were withdrawn, with those remaining to leave after supervising the 1932 elections. By that time the effect of the international depression were beginning to be felt in Nicaragua and increasing numbers of peasants and workers joined Sandino's forces. Throughout 1931 Sandino's forces were able to operate freely in most of the Central, Eastern and Northern parts of the country.

The elections of 1932 were to prove to be decisive. As suggested above, the last remaining marines were to leave Nicaragua after overseeing the elections. An agreement was reached between the Conservative candidate Adolfo Diaz and the returned Liberal Juan Sacasa that after the elections the National Guard would become a non-partisan force. The leader of the Guard which the political parties and the US agreed upon was Moncada's foreign minister, Anastasio Somoza. Sacasa was successful in the elections and days after the election he announced Somoza's appointment to the post and the last marines left the country (Smith, 1993:97).

³³ Now is not the place for a detailed discussion of the legacy of Sandino's heroic struggle. For further discussions see Liss (1991), Dunkerley (1988), Selser (1980), IES (1985), Hodges (1986), Serrano (1988), Ramirez (1981), Wheelock (1985) and Barahona (1983 and 1989).

³⁴ Although Sandino's unorthodox mix of mysticism and anarchism cost him the support of the orthodox communist parties of the region.

One of Sandino's major demands had therefore been realized, the withdrawal of the US. Realizing the difficulty of continuing the six year struggle once that aim had been achieved he, therefore, despite a call for non-participation in the elections, responded favourably to peace proposals from the new government. His demands included the creation of a new department in the North of the country where his forces would be allowed to settle and which they would be allowed to police themselves. On the 2nd of February Sandino signed a peace agreement with Sacasa in Managua which met most of his demands. Twenty days later the Sandinista troops gave over their arms and set about the organization of agricultural cooperatives in the Northern zone designated for them. Nevertheless, they continued to suffer harassment and attacks from the increasingly powerful National Guard. Sacasa, growing worried about the growing power and influence of Somoza and his control of the National Guard, agreed to demands for the reconstitution of the Guard in February 1934. On the 21st of that month Sandino attended a presidential dinner. On leaving the meal, Sandino and two of his generals were abducted by the National Guard and shot.

3.10 Somocismo and the Consolidation of the Agro-export Model:

The murder of Sandino and the subsequent decimation of his followers set the scene for the rise to power of Anastasio Somoza which was finally achieved two years after Sandino's death. In May 1936, fearing moves by President Sacasa to curtail his growing power, Somoza's National Guard took control of Leon and besieged Managua. By the end of the month, Sacasa had been forced to resign and, by the 9th of June, Somoza had installed Carlos Jarquin as an interim president. The process was completed in December of that year when, in the first of a long series of fraudulent elections, Somoza was returned as president, defeating a combined candidate of the Liberals and Conservatives by 107,000 votes to just 169 (Smith, 1993:101).

The dynastic regime that was instigated by these events oversaw a profound transformation in Nicaragua's economy, its social structure, and its political life, and represented the end of the liberal and oligarchic periods of Nicaragua's history. For fifty years Somoza and his two sons were to rule Nicaragua as if it were their own possession; in the process altering the cast of Nicaraguan politics and transforming the century old inter-elite conflicts. The control of Nicaraguan politics by the Liberals and Conservatives was broken and, whilst these traditional sectors continued to have stakes in the economic

development of the country, new groups associated with the Somozas, and other sources of capital, emerged.³⁵

Anastasio ruled, either directly as president, or through puppets, until his assassination in 1957. During that period he handled the political problems that he faced with some skill, forming and breaking alliances as situations demanded. More secure in his power in the years following the Second World War, Somoza oversaw a dramatic acceleration in the economic growth of the country, using his control of the state to guide that process in ways which suited his own ends and increased his monopolization of economic and political power. Following the death of their father, neither of the two sons who followed Anastasio into power, Luis (1957-1967) and particularly 'Tachito' (1967-1979), proved to be as politically astute as their father in dealing with the peculiar contradictions of the Somocista state.

It is important to stress both the continuities and discontinuities with the earlier periods, and the complex articulation that existed between the two. In too many cases consideration of the Somoza period has tended to be somewhat simplistic. On the one hand, some analyses have stressed the complementary relationship between the regime and the various sectors of the elite, commenting, for example, on the way in which,

"The state's institutional development, together with the political alliances cemented by the regime, provided the basis for the stability and social peace required for the full exploitation of the country's resources, especially those associated with export production."
(Knut, 1987:ii)

Whilst of some validity, such perspectives overlook the various contradictions that existed between the consolidation of Somoza's power and the interests of the traditional sectors of the elite and other commercial interests. In contrast, other studies have tended to stress the authoritarian aspects of Somoza's rule, missing the astute way Somoza formed and broke alliances, and utilized a semblance of constitutionality to ensure the maintenance of his grip upon power. Many of these problems relate to a tendency to characterize the whole

³⁵ The consolidation of Somoza's power undermined the basis of the traditional Liberal and Conservative ideologies as Somoza appropriated much of the ideology and apparatus of the Liberals in his PLN. This was reinforced in the period following the Second World War as the pursuit of economic development increasingly marginalized traditional partisan politics (Dunkerley, 1988:229).

Somoza period through a cursory study of the degeneracy of 'Tachito' Somoza's (the second son) excesses as the regime fell apart in the late 1970s.

"Very few governments, let alone forty-five-year regimes, can properly be characterized by their terminal state... for all its anachronism, brutality, personalism and dedication to the political economy of plunder, this regime had not only subsisted for nearly half a century, but had also been able to do so with relative facility... Thus while in one sense it is entirely apposite that Somocismo remain in the popular memory as a beastly enterprize doomed to extinction through blind self-interest, this is an insufficient history."
(Dunkerley, 1988:228).

By the time of Tachito's fall in 1979, Nicaraguan society had undergone far-reaching changes. In the economic sphere, the Post-War period had seen a massive expansion in economic activity, as the production of various agro-exports had been dramatically expanded. In addition, involvement in the Central American Common Market had seen the emergence of a new industrial sector during the 1960s which, whilst providing for a certain expansion of the urban workforce, was limited by its capital-intensive nature. The peasantry suffered from a continual process of marginalization, as the processes of labour commodification and the alienation of their lands continued, although it must be recognized that considerable debate remains as to the level of proletarianization that occurred (see discussions in 3.10b below).

3.10a Economic Development:³⁶

At the time of the consolidation of Somoza's grip on power, despite the expansion of export agriculture which had occurred since the 1870s, the Nicaraguan economy remained relatively underdeveloped. The international depression (which had begun to hit the region at the end of the 1920s), together with the earlier abuses by the Diaz administration and the constant US interference in the years following Zelaya's demise, had seriously disrupted the expansion of the coffee sector, whilst any attempts to compensate by increasing banana exports had been plagued by problems of disease and a serious fall in international prices. The Inter-War period, did, however, see a

³⁶ A detailed background to the expansion of the economy during the period will be provided in discussions of the agro-export sector in Chapters 6 and 7. Here, the major developments are briefly summarized.

certain expansion in gold exports and the first stirrings of an incipient cotton sector (Dunkerley, 1988:91; Weeks, 1985:53 and CEPAL, 1968:10).

With the stabilization of the regime following the end of the Second World War rapid processes of economic expansion and modernization were initiated in Nicaragua. From 1949 to 1970 the Nicaraguan economy grew more rapidly than any other in Latin America, levels of GDP per capita rose past those of most of her neighbours, and exports per head soared to one of the highest levels in the continent (Bulmer-Thomas, 1990:340).³⁷ Such impressive levels of export growth were achieved, firstly, through the massive development of cotton exports which had originated in the 1950s³⁸ and, later, by an expansion in the production of other marketable commodities, such as sugar, beef, tobacco and sea foods; although the period also saw the continued development of coffee exports.³⁹

These developments reinforced, although also diversified, the traditional dependence of the Nicaraguan economy upon agricultural commodities and the enhanced dependency upon international markets saw the economy go through a series of boom and bust cycles (Lindenberg, 1985). The dramatic expansion in economic activity was accompanied by processes of modernization and technification, with the development of the dominant cotton sector, in particular, characterized by far-reaching changes in the use of machinery and other agricultural inputs, through the widespread technification of production which was increasingly facilitated by the state.

This expansion in the 'developmental' role of the state was another important feature of the period as;

"The Somoza regime... (began to) act as though it believed that the best way to consolidate its power was to further the accumulation process."

Enriquez (1985:91)

Accordingly, in the years that followed, the state began to intervene directly in promoting the massive expansion in economic activity which occurred. In

³⁷ During this period (1950-1977) there was an average economic growth rate of some 6% per year, together with a ninefold increase in agro-export production. The concentration of land into the hands of those involved in those activities increased rapidly (Ocampo, 1991:333)

³⁸ Nicaraguan producers took advantage of a sharp increase in the international price of cotton in the 1950s. In 1949 Nicaragua had exported only 379 tons of cotton, by 1955 this had increased to a level of 43,971 tons (Walker, 1991:73).

³⁹ The area under coffee cultivation increased from 56,000 hectares in 1950 to 86,000 hectares in 1976 (Clemens and DeGroot, 1991:74).

Amaru Barahona's words (Barahona, 1987) the state became a 'permanent propulsive agent' which tried to contain under its control all of the dimensions of the capitalization process that it oversaw. The proportion of national income accounted for by public spending and investment rose substantially, such that between 1950 and 1970 the national budget increased from \$12.2 million to \$98.5 million. This pursuit of 'developmentalist' economic policies was evidenced by large-scale infrastructural projects, the offering of very generous terms of access to public credit to those engaged in the new export activities, the public provision of other agricultural inputs and the founding of public agencies such as the Central Bank and the Institute of National Development (Walker, T., 1991:28).⁴⁰

The 1960s and 1970s also saw the emergence of a new industrial sector under the auspices of the Central American Common Market (CACM).⁴¹ The flow of US investment into the region under the 'Alliance For Progress' programme and the active role of the Nicaraguan state in promoting industrialization, led to an increase in the proportion of total exports accounted for by the manufacturing sector from 3.7% to 22% between 1960 and 1970 (Brundenius, 1987:89, Table 3). Nonetheless, the expansion of regional trade under the CACM proved to be a short-lived affair. The Nicaraguan industrial sector had been dependent upon imported inputs and had produced goods that were incapable of competing outside the protected market of the CACM. This meant that when the CACM faltered, and foreign exchange became scarcer, the sector all but collapsed (Arana et al, 1988:55). Thus, despite the certain level of diversification into industrial activities that had been achieved, when the CACM first wavered and then collapsed, the export of agricultural commodities still accounted for over 80% of total export revenues (figure for 1978). In fact the rapid expansion of the economy had first faltered into recession at the end of the 1960s. There was a brief respite at the turn of the decade, yet the recovery was marked by the beginnings of an inflationary spiral influenced by the inflow of resources following the 1972 earthquake and

⁴⁰ The state also subsidized the importation of labour-saving agricultural machinery and established a system of subsidized cotton gins and processing facilities for other commodities (Gibson, 1987b:29)

⁴¹ For discussions of the nature and problems of the CACM see Irvin and Holland (1989), Weeks (1985), Bulmer-Thomas (1987), Guerra-Borges (1987), Cline and Delgado (1978), the various periodic publications of the Secretaria Permanente del Tratado General de Integracion Economica Centroamericana (SIECA), Rojas (1982), Fuentes (1989) and Nugent (1974).

problems of overproduction in the period 1974/75, before the slide into economic and political crisis of the late 1970s (Barahona, 1987).

By the mid-1970s, therefore, the expansion in traditional export production had reached its zenith, the CACM was faltering, and the economy was struggling to find new sources of momentum.

3.10b Social Relations:⁴²

"The landowners, or the fathers or grandfathers of the landowners, had over a period of years gradually been stripping the campesinos of their land. So the generation of campesinos we knew would tell us about how their great grandfathers had owned land. And the story of what happened was passed down from great grandfather to grandfather to father to son. They were now a generation without land. The landowners had appropriated their land through a process of violent evictions, or through legal means." (Cabezas, 1985:209)

Despite the impressive levels of growth that the expansion in export agriculture brought to the Nicaraguan economy the wealth that it created was distributed extremely unevenly. Whilst the period immediately preceding Somoza's rise to power had seen serious disruptions to the expansion of commercial agriculture, and economic expansion had not been a priority in the early Somoza period, the rapid growth levels of the immediate Post-War years saw the further centralization of land holdings, the associated marginalization of those producing foodstuffs for the domestic market or for subsistence, and the worsening of already highly skewed income distribution patterns. During this period (1950-1977) there was a ninefold increase in agro-export production and the concentration of land into the hands of those involved in those activities increased rapidly. During the same period the percentage of land utilized for domestic agricultural purposes is estimated to have declined from 75% of the total to 50% (Goldin and Pizarro, 1988:24). The rapid development of the Nicaraguan economy during the Post-War period therefore had its counterpart in rising levels of poverty and inequality. For example between 1965 and 1975 the incidence of malnutrition doubled, affecting 60% of children under four years of age. By the end of the 1970s the illiteracy rate was amongst the highest in the region and the death rate due to infectious

⁴² The evolution of social relations during the Somoza period are considered in detail in Chapter Six with specific regard to the agro-export sector. A brief resume of the major elements will be made here.

diseases one of the worst in Latin America (Gibson, 1987b). The Somoza period was also characterized by dramatic increases in population growth rates and rapid levels of urbanization.⁴³

Despite the far-reaching transformations wrought within Nicaragua during the years of the Somoza dynasty, the precise nature of these changes remains the subject of some debate. Whilst all commentators recognize the dramatic economic developments and social transformations of the Post War period, they differ in their interpretations of the nature and significance of those processes. With regard to the structure of land-ownership, some (e.g., Wheelock, 1985) have suggested that the Somoza period saw the continued consolidation and growth of the large colonial haciendas and their transformation into modern commercial agro-export farms. This process, they claim, was achieved through the expropriation of massive numbers of smallholders and their marginalization to semi-proletarianized or landless workers on the large estates. In contrast, however, others have argued that whilst every cycle of agro-export expansion in the Post-War years brought loss of land and new forms of subordination to Nicaragua's peasantry, the dualistic distinction often drawn between large-scale export farms and marginalized small-scale domestic production, was undeniable, it was not universal (Clemens and De Groot, 1991:79-81). In contrast to several of the other Central American Republics Nicaragua's export sector in fact demonstrated a less skewed pattern of land distribution with the existence of many intermediate levels of farm size in addition to the latifundia and minifundia. In particular, the coffee sector had a large presence of smallholder production, whilst the cotton sector, although more technified in nature, had developed on new medium scale farms, often rented from the traditional sectors of the elite, rather than on the largest estates themselves (Mayorga, 1987).

There have also been disagreements about the nature of the productive relations which characterized the expansion of the export sector. Some commentators have argued that the massive expansion in economic activity of the Post-War years greatly intensified the processes of proletarianization which had been occurring in Nicaragua since the turn of the century, and that by the end of the Somoza period, the dominant agro-export sector was largely dependent on wage labour which it extracted from the great mass of the rural poor who were

⁴³ SUAS (1987) estimate the percentage of the total population which was urbanized at 33% in 1950, about 40% in 1963, and 56% in 1973.

increasingly marginalized from their lands. Others, influenced again by the work of Alain DeJanvry (1981) referred to earlier, suggest a less complete process of labour commodification where the majority of the rural population retained access to a small plot of land and sold their labour during harvest periods in order to supplement the meagre subsistence (or earnings) made from their own land. On the other hand, it is clear that there were also important pools of permanent labour in the more technified cotton and sugar sectors, or at least large numbers that had no access to land. In addition in the smaller-scale coffee sector producers also employed labour from landless and land poor peasants, whilst labour provision on the large coffee estates was often still maintained through personalized forms of coercion, rather than financial necessity on the part of the labour force.

There appears, therefore, to be an emerging consensus within the literature that the rapid expansion of the commercial sector did not effect a complete transformation toward capitalist wage relations in Nicaragua, even in the most technically advanced sectors, and attention has been focused upon the articulation between wage labour and servile non-capitalist relations (Dore and Weeks, 1992:12). Dore and Weeks (1992:13) suggest that,

"The Somoza dynasty created conditions which promoted the development of capitalism at the same time as it rested on a social fabric of patron-client relations which were woven into all areas of society."

This helps to explain the maintenance of pre-capitalist social forms in the midst of the rapid development of commercial agriculture and even industrialization, although it may also underestimate the spread of labour commodification in certain sectors.

All of these deliberations bear witness to the great heterogeneity of Nicaragua's rural society, as well as the lack of firm historical documentation of the changes which had occurred, even in the years following the Second World War. One of the factors that underlay the heterogeneity of productive relations in Nicaragua was the continued low population density. This had allowed some of the peasants displaced by the cotton boom in the Pacific during the 1950s to migrate inland toward the mountainous regions of the agricultural frontier. However, during the following years the continued expansion of commercial agriculture and especially ranching activities also spread toward the agricultural frontier. As a result the peasantry that had cleared, and then

occupied, these regions were forced to migrate still further into the mountains, or were forced to submit to relations of peonage and servitude to retain access to land (Dore, 1990:104-5).

To summarize, despite the undeniable intensification of the spread of capitalist relations of production into the various sectors of the economy during the Post-War Period the extent of this and its effects were extremely varied. The relations of production, the level of capitalisation and the level of technology in use in each part of the export sector, therefore, differed quite considerably and this variance has been the source of many of the debates considered above. The dominant patterns of landholding for each of the major export commodities is shown in Table 3.3. In addition to the variation in the size of production units revealed in Table 3.3 each sector was characterized by variations in the social relations affecting the supply of labour. Some crops, such as sugar and cotton, were produced intensively through an agricultural system that involved relatively high inputs of capital and where wage labour was the norm; thereby enhancing the processes of rural proletarianization in the areas where those commodities dominated. The production of other commodities, such as coffee, and much livestock production, involved the use of very limited levels of technology and also included a substantial sector of smaller production units. Although large landowners were also involved in production within these sectors, they had not tended to invest heavily and did not operate at much higher levels of productivity than the smallholders. Due to this combination of smallholder cultivation and the relatively backward technology employed on the large farms in the sector, the level of productivity in the coffee sector, in particular, was notably lower than that achieved in neighbouring countries.⁴⁴

The sheer diversity of social relations in the Nicaraguan countryside during the Somoza period proved to be important in determining the direction of the FSLN's agrarian policy during the 1980s. These issues are returned to in Chapter Six.

3.10c The Maintenance of Power:

The economic power of the traditional elite sectors of Nicaraguan society was not broken under the Somoza regime, although new economic sectors also

⁴⁴ Although between 1950 and 1976 coffee yields did rise from 330 kg. per hectare to over 600 (Clemens and DeGroot, 1991:74).

appeared,⁴⁵ but the way in which political control was exerted and contested, and the nature of the state, were transformed substantially. In the consolidation of his power Somoza had cleverly mediated the continuing disputes between the Liberals and the Conservatives, whilst heading off any suggestions at popular unrest. Thus, whilst the regime upheld the interests of the elite against any attempts from the popular classes to challenge the social order, Somoza also played off the various sectors of the elite against each other. As Dunkerley (1988:89) argues,

"It was Anastasio Somoza's ability to negotiate the challenges that confronted his government in the late 1940's that condemned the rivalry between Liberal and Conservative Parties to the status of a purely secondary and increasingly formalistic dispute."

Somoza relied upon a number of factors for consolidating and maintaining political power. Firstly, his control over the National Guard bestowed a monopolization over the use of coercive force which would continue to characterize the basis of power throughout the years of the dynasty. Despite the importance of the 'Guardia' in Somoza's climb to power, the heavy-handed use of their military force was not an overarching feature of his rule, although it was constantly to remain an option and their presence always a factor in the maintenance of control. Somoza's domination of the Guardia was secured through astute political handling of its leadership, the provision of economic benefits which were extended right down to its lowest levels, and periodic changes in leadership, designed to prevent the emergence of any organized challenge to his authority from within the Guardia's higher ranks (Smith, 1993:102 and Walker, T., 1991:26).

Secondly, the friendship and sponsorship of the US government, and Somoza's manoeuvring to ensure its continuation, was crucial in consolidating and maintaining the regime. Throughout the years of the Somoza's control of Nicaragua they provided successive US administrations which a staunch and loyal ally in the region which did not go unrewarded, especially during the era of Kennedy's 'Alliance for Progress' (Walker, T., 1991:27 and Dosal, 1985).

⁴⁵ The most important of these was the economic empire built up by the Somozas themselves but, as the discussions in the previous section outlined, there were also substantial small and medium-scale sectors involved in certain areas of the economy.

Thirdly, a semblance of constitutionality to Somoza's rule was achieved through the imaginative use of the state legislature and accomplished political manoeuvring.

Fourthly, the consolidation of his political power enabled Somoza to centralise vast tranches of the Nicaraguan economy under his control and amass a substantial personal fortune. By 1944 his portfolio, in addition to lucrative investments abroad, included the control of the export of cattle to Panama and Costa Rica, the ownership of mines, dairy processing facilities, farms, plantations, newspapers and magazines, sawmills and electrical plants. He also had controlling interests in cement production and various manufacturing enterprises (Selser, 1981, quoted in Smith, 1993:103)

This fortune was amassed in several ways. Control of the growing state apparatus enabled Somoza to take advantage of infrastructural developments by ensuring that they were designed to the benefit of his own enterprises. Family members were placed in key branches of the economy spreading the reach of the dynasty into many different sectors.⁴⁶ The fortune Somoza continued to amass also enabled him to reward his supporters generously for their support (especially those in the National Guard) through direct monetary benefits, the granting of cuts in profits from activities such as prostitution or gambling, or installing them in valuable posts within important sectors of the economy.

Anastasio Somoza, despite his 'strong-arm' tactics was an astute politician who changed the character of his regime in response to internal and external pressures. The initial Violence of his ascension to power was accompanied by efforts to assure a semblance of constitutional legitimacy. Measures he took included: tarrying the 1936 elections for a month, so that, as a relative of Sacasa, he was legally able to stand for the presidency, and briefly standing down from the leadership of the National Guard to get around the requirement that the leadership of the Guardia should be apolitical. Furthermore, Somoza undertook the creation of the two new political parties, his own National Liberal Party (PLN) and the National Conservative Party which he intended to see evolve into a 'Loyal Opposition'.⁴⁷ Somoza also formalized a series of

⁴⁶ These included the National Power Company and the National Development Institute (the supplier of unrepaid loans to the Somozas) as well as the chief of staff of the National Guard (Smith, 1993:104)

⁴⁷ Smith (1993:103) details how the PLN was financed by compulsory deductions from the workforce of Somoza's personal businesses and all government employees.

Constituent Assemblies which were designed to legislate legal ways around constraining aspects of the Constitution.⁴⁸

Internal opposition to the regime first began to coalesce in the 1930s. The trade union movement became more active and by 1940 the Managua Worker's Confederation had unified some 3000 workers in the capital. In 1943 two new political parties, the Independent Liberal Party (PLI), an offshoot of Somoza's PLN, and the Nicaraguan Socialist Party (PSN), were constituted. The traditional Conservative opposition also began to regroup at this time and a new leadership emerged around the figures of Pedro Joaquin Chamorro and Rafael Cordova (Smith, 1993:107).

This renewed opposition accelerated to a peak in the summer of 1944 when massive demonstrations against the regime occurred. This period is perhaps where Somoza demonstrated most his political skill. Instead of brutally crushing the opposition Somoza out-manoeuvred them. First, in response to a threatened general strike he threatened the bourgeois opposition with confiscation if they joined in the stoppage. The strike never materialized. In turn, Somoza then entered into negotiation with the labour movement, with the intention of securing their support in return for the development of a new, extremely liberal, labour code. Smith (1993:108) interprets this as

"A flirtation with populist policies (which) led him to a temporary accommodation, albeit superficial, with labour. In the 1940s the dictator even presided over May Day celebrations"

Despite Smith's depiction of Somoza's wooing of the labour movement as transitory and partial, the dynamics of the Somocista regime cannot be understood unless one takes into account the periodic support that he received from broad sectors of the working classes. Jeffrey Gould convincingly suggests that, whilst the Guardia formed one pillar underlying the basis of Somoza's power, his courting of working class support, at least for a time, constituted another. Thus,

"From the beginning of their dynasty in 1936, until the mid-1960s, the Somoza's attempted to cultivate passive or active labour support not merely as a demagogic ploy (as most scholars have suggested) but as

⁴⁸ For example the first Assembly, held in 1939, allowed Somoza to extend his term of office to 1947, it also increased the length of the presidential term of office by two years and allowed the president to legislate matters pertaining to the National Guard without reference to the government (Smith, 1993:103)

part of a populist-style strategy to establish hegemonic control over Nicaraguan society. ... Somoza...co-opted not only individual labour leaders but also the very language of obrerismo, the political idiom of the popular classes. Although Somoza did repress the labour movement in the late 1940s when it escaped his control, he still attempted to portray himself as the jefe obrero, the guarantor of labour's aspirations in the face of Conservative opposition. Similarly, the weakness of the middle-and upper-class, anti-Somoza opposition resided in its inability to bridge the gulf in Nicaraguan political culture created by Somoza and his son Luis's appropriation of obrerista ideology and their cultivation of labour support." (Gould, 1990:15)

Thus, Somoza ensured his political survival by recourse to both coercion and cooption, and was adept at switching between higher levels of dependence upon one or the other, in reaction to the changing nature of the circumstances facing him. By the late 1940s having achieved a certain 'breathing space' through the support of the labour movement, Somoza stabilized his rule through a series of puppet presidents following elections in 1947. One of these, Leonardo Arguello, attempted to call Somoza's bluff, and in his first days as president removed many of Somoza's supporters from positions of power. He then overstretched himself by giving Somoza himself twenty four hours to leave Nicaragua. The next night he was president no more, having been declared mentally incompetent by the National Assembly under Somoza's orders. By this time the onset of the cold war meant that Somoza had less need to be wary of the US's reaction to the use of force in dealing with domestic dissent. Accordingly he turned on his previous allies in the labour movement. The Arguello episode was explained through the claim that he had been working with the 'communists', the short-lived labour code was repealed, and in August 1947 a full-scale campaign of repression was unleashed against Anti-Somocista elements in the workers movement and other sectors of society, which left several murdered, hundreds in prison, and some 30,000 exiled to Costa Rica (Smith, 1993:109).

The following years saw the consolidation of an alliance between Somoza and most other sectors of the commercial elite. In 1948 and 1949 the Conservatives and Somoza's PLN signed agreements giving certain economic guarantees to the former and other sectors of the Non-Somoza bourgeoisie. The Conservatives were also guaranteed a minimum of seats in the Assembly, whatever the outcome of election results. This pact was significant. It represented the realization on the part of the major commercial sectors that Somoza's repression of the labour movement and any other expressions of

popular discontent would aid their desire for economic expansion. Thus, although acceptance of the Pact represented their acquiescence to Somoza's monopolization of political power, so long as they were allowed to develop their economic activities freely, and these were profitable, their lack of political power would not necessarily be questioned (Garcia, 1985:21). It can be argued, therefore, that following Somoza's firmer grip on power in the late 1940s, he managed to gain the support of a majority of the landowning and commercial sectors. This consolidation of power behind the regime formed the basis for the expansion of economic activity in the following years and from this point elite opposition to the regime 'acquired an increasingly formalist character (Dunkerley, 1988:229).

By this time, the most dynamic sectors of the traditional ruling classes and an emerging bourgeoisie from the middle stratas of Nicaraguan society had coalesced around three groupings. The most powerful was that associated with Somoza himself. By the time of the revolution in 1979 the Somozas controlled an enormous financial empire. In addition to the interests mentioned previously, Somoza had appropriated numerous coffee and cattle haciendas from German citizens at the outbreak of World War Two. Control of the state apparatus also enabled the family to avoid taxes and award themselves lucrative contracts. By the late 1970s the regime controlled around a fifth of the agricultural land of the country, important agricultural processing facilities and a myriad of other industrial concerns (Walker, T., 1991:77). The other major groups were formed around the Banco Nicaraguense (BANIC) and the Banco de America (BANAMERICA) the formation of which had been stimulated by the financial surpluses of the incipient export boom (Bulmer-Thomas, 1990:341).

The BANAMERICA group was dominated by members of the Granadan elite and had been founded by Silvio Pellas in 1952. During the following years it financed expansion in the sugar, cattle and coffee sectors and played an important role in the import-export business. It had international links with the Wells Fargo Bank and the First National Bank of Boston. The BANIC group, founded in 1953, was more closely identified with Leon and was mainly comprised of cotton and coffee interests and had links to the Chase Manhattan Bank. The earnings from the boom in cotton production of the 1950s enabled

the group to expand into industrial projects under the CACM in the 1960s (Dosal, 1985:80).⁴⁹

These three sectors controlled most of the sectors of the Nicaraguan economy, not necessarily through their weight in productive activity (although this was substantial in certain sectors), but rather through their control of the institutional mechanisms of the state (in the case of Somoza), finance and export processing facilities (Vilas, 1986:75-78 and Gilbert, 1988:105). The emergence of the two new groupings robbed Somoza of his monopoly over the allocation of credit as they evolved to take dominant positions in sectors outside of the direct control of Somoza and his associates. The space given to these other dominant groups of the elite, coupled with the ending of Somoza's soft-handed treatment of the labour movement and the signing of the political pact with the Conservatives, meant that the resistance of the bourgeoisie to the consolidation of the regime on the grounds of unfair competition was overcome (Bulmer-Thomas, 1990:341-2).

The assassination of Anastasio Somoza by Rigoberto Lopez Perez in 1957 was a turning point in the articulation of opposition to the regime, breaking any sense of its invincibility. Following his father's death, Luis Somoza, whilst ordering the immediate imprisonment of 3,000 people and a strengthening of the Guardia, attempted to play a less direct role in Nicaraguan political life than his father had done. The role of the National Liberal Party in the political control of the country was expanded, several other political parties were legalized, and he chose to rule through puppet presidents, such as Rene Schink, rather than directly as president. In this way Luis chose to respond to the challenges of increased popular mobilization against his regime,⁵⁰ and the example of the successful Cuban Revolution of 1959, through concessions and superficial democratic reforms, rather than the indiscriminate use of force (although the latter was by no means outlawed especially in the years immediately following his father's assassination). This approach also lent itself

⁴⁹ Wheelock (1985:141) suggests the existence of a fourth dominant group which he terms the Calley Dagnall Group, which whilst not as significant as the BANAMERICA and BANIC groups, controlled large parts of the expansion of coffee production and processing in the Northern regions of the country.

⁵⁰ The 1960s saw the rebirth of the labour movement and equally important the refounding of a guerrilla movement bearing Sandino's name; the Frente Sandinista de Liberacion Nacional. This organization was born in Tegucigalpa in 1961 under the leadership of Carlos Fonseca (a young former member of the PSN who had devoted himself to restoring and promulgating Sandino's words and example), Tomas Borge and Silvio Mayorga.

to fulfilling the limited criteria for democratization inherent in John F. Kennedy's 'Alliance for Progress' policy towards Latin America. As a result, the 1960s saw considerable funds flow into Nicaragua from the US and the international financial organizations in support of infrastructural projects, the continued expansion of agro-exports and industrial developments under the auspices of the CACM.⁵¹ The period also saw Luis attempt to deepen the populist tone of the regime through limited programmes of public housing, education, social security and agrarian reform (Walker, T., 1991:29). Following Luis' death in April 1967, elections in May saw his brother Anastasio (Tachito) Somoza elected to the presidency. As the rule of the Somoza dynasty stretched into the 1970s the economic 'miracle' it had presided over began to unravel and increasing levels of relative poverty fuelled the popular discontent which the emerging guerrillas of the FSLN and other opposition groups were already beginning to exploit. Thus, as the economic dynamism of the agro-export-led model of development and the incipient industrialization processes of the Central American Common Market (CACM) petered out in the 1970s⁵², 'Tachito' found himself resorting more and more to coercion and repression to maintain his political power, depending in the last instance upon the military muscle of the Guardia. As argued by Gould (1990:294),

"Until the last decade of the dynasty, the Somozas were able to direct the repressive apparatus against the political opposition precisely because, with the exception of a brief period in the mid-1940s, the Anti-Somocistas lacked a mass base within the urban and rural working classes. As late as 1964 the regime tolerated popular struggles in order to defuse the threat of the growing opposition movement..... Luiz Somoza's speeches in the 1950s about the campesinos' right to strike sounded plausible to Nicaraguans, but Tacho (Anastasio II) Somoza's railings, in the late 1970s, against the alliance of los ricos and the communists sounded stupid, hollow and fraudulent."

3.10d The Fall of the Somocista State:

"Get it together everyone, don't lose it, the big one is here, the shit has hit the fan, hell has broken loose, we're at fever heat, fighting with

⁵¹ Smith (1993:114) details how Nicaragua received 19 loans under the Alliance for Progress scheme which totalled over \$50 million between the years 1961 and 1967

⁵² See discussions of this below.

nothing but a home-made arsenal against tanks, armoured cars, and planes, so everyone get into it, from here no one ducks out, it's our war, the real thing, if you don't die killing you'll die dying, shoulder to shoulder makes us bolder, all together now, the people is us." (Eduardo Galeano, 1979: In all Nicaragua, from Galeano (1988:248)

In the early 1970s the evolving social, economic and political dimensions, discussed above, coalesced to produce a challenge to the legitimacy of the Somocista state. A challenge which 'Tachito' proved unable to meet. The two major events that appeared to act as catalysts in his downfall were, the response of the regime to the devastating impact of an earthquake which all but destroyed Managua in 1972, and the assignation of the Anti-Somocista Conservative Pedro Joaquin Chamorro in 1978. The earthquake had left 20,000 dead and around a quarter of the capital's population homeless. International response to the crisis was relatively generous and represented around \$60 million in aid. The vast majority of this, however, went into lining the pockets of 'Tachito' and his supporters, either directly or through the granting of contracts for reconstruction projects, the vast majority of which were never completed.

Bourgeois opposition to the regime increased as a result of this and in response to the increasing ways in which Somoza used his control of the economic and political apparatus of the state to exclude other sectors of the elite from what they saw as their proper role in economic activities and the reconstruction effort. The inflow of moneys associated with the post-earthquake reconstruction effort further increased Somoza's greed and led to attempts to by-pass his rivals in the BANAMERICA and BANIC groups. In the context of the recession which was starting to hit the nation at the time, his rivals began to find themselves forced to compete for contracts on unequal terms with Somoza in sectors which they had previously controlled. Tachito's greed also saw him begin to erode the successful ways in which his father and brother had attempted to unite their own pursuit of personal gain with the efficient running of the economy. Luis in particular had surrounded himself with highly trained 'developmentalist' technicians who had controlled the expansion of the industrial sector during the 1960s. Following the death of Luis, Tachito had gradually replaced these technocrats with untrained cronies, which coupled with his attempts to dramatically increase his own personal fortune, intensified the economic problems which were beginning to afflict the regime (Walker, T., 1991:30).

In addition to growing opposition to Tachito from the traditional sectors of the elite, various new groups, unattached to the major organizations, appeared on the political scene, and several new political parties were formed, including an offshoot of Somoza's own PLN. Bourgeois opposition to Somoza had grown amongst the middle strata, who felt underrepresented by the traditional political parties and felt more strongly their exclusion from political influence and the limits upon their economic activity imposed by Somoza's control of the economic arena. One organization which grew in response to the needs and demands of this sector was COSEP (Consejo Superior de la Empresa Privada) which was to come to prominence as the voice of the private sector in their dealings with the Sandinistas in the 1980s. COSEP, also outraged at Somoza's monopolization of the profits to be made from the reconstruction programme of the 1972 earthquake (and not only for altruistic reasons) became involved in the development of broad coalitions against the dictator during the late seventies. The more traditional groupings of capital in BANAMERICA and BANIC tended to 'hold themselves more aloof from efforts to depose the dictator' (Gilbert, 1988:107)

At the same time the mobilization of the popular sectors continued to intensify and the FSLN began to make their presence felt through a series of daring commando type raids.

Facing growing opposition, and lacking the tactical skill of his father and brother, "Tachito" was forced to rely more and more upon the Guardia to hold onto political power. Between 1973 and 1977 the level of repression increased markedly, martial law was imposed in 1974, press censorship stepped up and the Guardia ruthlessly savaged large tracts of the Northern region in an attempt to flush out the guerrillas of the FSLN. Smith (1993:123) suggests that as many as 3,000 people were killed by the Guardia during this period.

The FSLN had their own problems during this period as a renewed Guardia campaign against them had some successes and they were riven by internal divisions over strategy. Thus, 1976 saw the deaths of several key FSLN activists, including their founder Carlos Fonseca, whilst the organization had split into three contending tendencies during the previous year, which were not to regroup until 1979.⁵³

⁵³ The FSLN had come apart at the seams in 1975 over the most appropriate tactics to meet the renewed assault against them by the National Guard, as well as longer-term strategic issues. The Prolonged Popular War (GPP) faction, led by Tomas Borge (later Minister of the Interior) and Henry Ruiz, were committed to the maintenance of the previous cautious long-term rural-based strategy. This involved the gradual building of support from the peasantry in the more remote

Despite these successes Somoza faced another problem, Jimmy Carter's US administration was starting to ask some awkward questions about human rights abuses. In 1977, for example, Carter announced that \$12 million of bilateral aid to Nicaragua would be suspended until measures were undertaken to improve the human rights situation. In response Somoza lifted the State of Emergency under which Nicaragua had lived for the previous two and a half years. Despite the fact that it freed the economic and military aid, the ending of the emergency gave increasing space for the articulation of opposition to the regime. The 'Tercerista' faction of the FSLN launched a series of attacks right across the country in October 1977. A new group of 12 'notables' supportive of the FSLN was formed in exile in Costa Rica during the same month, where in a press conference, they called for the immediate resignation of Somoza and the inclusion of the FSLN in a provisional government. As the FSLN continued to operate and mobilize successfully Somoza made his most inept move so far, by organizing the murder of the independent Conservative Pedro Joaquin Chamorro.⁵⁴ This event proved to be the catalyst in the mobilization of forces against the regime.

The events of the final days of the Somoza regime have been recounted on numerous occasions and do not need to be retold here (see Black, 1981 for example). Suffice it to say that armed rebellion against the regime intensified driving the Guardia to new extremes of barbarity, the three competing factions of the FSLN finally regrouped and the Nicaraguan people eventually cast out the dictator on July 19th 1979 at the cost of thousands of Nicaraguan lives.

3.10e Interpreting the Somoza Period:

areas of the country from which a successful military campaign against the regime could eventually be fought. In 1975 this strategy had been challenged by Jaime Wheelock (later Minister of Agriculture) a renowned sociologist who had recently returned from exile. He argued that the most promising basis for articulating opposition to the Somoza regime was to be found in the newly emerging industrial proletariat of the cities which he claimed the GPP had ignored. He therefore suggested the most appropriate strategy for the FSLN was to concentrate attention upon the urban and rural wage workers. These suggestions were met with Wheelock and his followers' expulsion from the party. In the wake of this split a third faction emerged, the 'Terceristas' or 'Insurreccional Tendency,' led by Daniel Ortega (later to be Nicaraguan President) and his brother Humberto Ortega (later head of the armed forces). They argued that the excesses of Tachito Somoza had fundamentally shifted the balance of forces against him and that conditions were right for a widely-based insurrection. Eventually their pragmatic position was to win out as broad sectors of Nicaraguan society were drawn under an FSLN-headed military challenge to the regime (Gilbert, 1988:8).

⁵⁴ His widow Violeta is the current president of Nicaragua.

The success of the Nicaraguan revolution opens many questions as to the conditions necessary for a successful social revolution, or at least the overthrow of the previous order. It lies beyond the scope of this chapter, and indeed this thesis, to attempt to answer this question through reference to the Nicaraguan experience. Not least because the focus of this work is upon the factors affecting the outcome of such a revolutionary process. Nonetheless, to properly understand the context of the Nicaraguan revolution one needs to have some understanding of such debates and how they relate to the success of the 1979 insurrection in Nicaragua.

There can be little doubt that, at least in part, the success of the Nicaraguan revolution (and the relative failure of the Salvadoran revolutionary forces to overthrow the Salvadoran oligarchy), related to temporally determined 'openings' within the international system and international politics (Foran and Goodwin, 1993:209). If it had not been for the sensitivity of the Carter administration to the human rights abuses of the Somoza regime, and their cutting of military aid, the outcome of the July 19th victory could have been very different. It would be foolhardy, however, to see the success of the Nicaraguan revolution as primarily externally determined.

Some interpretations emphasize the origins of the Nicaraguan Revolution as having arisen from the accumulated contradictions and eventual structural crisis of the regional model of agro-export led development. There is, nonetheless, considerable debate as to what extent the structural crisis of the Central American model of development (if such a thing existed) underlay the political uprisings that characterized at least three of the countries of the region from the late 1970s. These controversies relate to ongoing theoretical debates about the relationships between economic structures and political processes; with those arguing that the struggles in El Salvador, Guatemala and Nicaragua represented the rupturing of the model of accumulation being influenced by the traditional Marxist conception of the 'last instance determinacy' of economic structures; and those arguing that, although affected by economic factors, events represented relatively autonomous political processes, more influenced by the post-marxism of authors such as Nicos Mouzelis and David Slater.⁵⁵ Thus, Arana et al (1987a) point to the political and economic crisis of the Somocista model of development as being decisive in the articulation of opposition to the regime, whilst the argument is contested by Vilas (1987) who

⁵⁵ These issues were explored in detail in Chapter Two.

suggests that the success of the revolution owed more to the forms of political struggle engaged in rather than any structural features of the Nicaraguan economy. Indeed, at their most extreme, the more economic arguments seem to suggest a direct relationship between increasing levels of poverty and revolutionary action. Instead, as Booth and Walker (1992:9) suggest, if there is a structural cause behind political action, then it must relate to changes in the level of poverty rather than its absolute level. Thus, in Nicaragua the 1970s had seen large sections of the poor and middle classes becoming worse off, which those organizing against the regime were able to take advantage of. Drawing upon Vilas' ideas, Dunkerley (1988:246) suggests that the revolution owed much more to a crisis of political legitimacy than to any escalation in direct economic exploitation and economically-based struggles. Backing up such assertions other authors refer to the lack of involvement of workplace conflict in the period leading up to the insurrection; i.e. the lack of strikes and the poor level of trade union organization (Gould, 1990:296).

The debates about these issues have been explored in detail by Jeffrey Gould in the conclusion to his excellent study of the social history of Chinandega during the Somoza years. He argues that traditional interpretations of the success of the Nicaraguan Revolution have rested upon three main elements. First, the changes in social relations and increases in poverty and alienation caused by the rapid capitalist development which occurred in Nicaragua after the 1950s. Second, the reaction of the excluded classes to the growing repression of the Somoza regime in the context of the growing economic crisis of the agro-export model during the 1970s, combined with the failures of the regime in reconciling its interests with those of the other sectors of the bourgeoisie. And third, the political organization and growth of the FSLN and their success in uniting the various anti-Somoza sectors of Nicaraguan society against the Somoza regime (Gould, 1993:292).

He suggests that such arguments, whilst important, overgeneralize the processes which led to the fall of Somoza. In particular, he argues that studies of the third component, the gradual consolidation of a widespread movement around the FSLN, is not adequately explored in the literature. Thus, although the way the FSLN incorporated the dissatisfied sectors of the bourgeoisie into the struggle are extensively documented the relationship of the FSLN to the peasantry, the labouring classes and the urban informal population are left unexplored, as if they were the natural constituency of the FSLN waiting for the vanguard to lead them against the dictatorship.

There is not sufficient space to explore all of these issues as fully as they deserve. For our purposes the important fact is that, for whatever reasons, the Nicaraguan people finally united to overthrow the Somoza regime and the FSLN found themselves (or placed themselves) at the head of the alliance of forces which took over the reigns of political power following the flight of the dictator and his cronies. The following chapters detail the attempts which the FSLN made in the ensuing years to overcome the legacies of the past which have been detailed in this chapter.

The Nicaraguan Economy and Sandinismo:

4.1 Introduction:

The preceding chapter outlined in some detail the evolution of Nicaragua's productive structure, the dominant social relations governing the relationship between capital and labour, and the political culture and institutions of the nation over the centuries since the first arrival of the Spanish in the sixteenth century. This provides an historical context to the circumstances inherited by the FSLN following the July revolution of 1979. The Sandinistas saw themselves as the representatives of the broad mass of Nicaraguans who had been excluded from the benefits of the rapid economic growth and 'modernization' which had occurred in the preceding decades. Whilst in office they attempted to implement an economic programme designed to transform the basis of Nicaraguan society to the advantage of that broad constituency. This chapter details the evolution of that economic programme, its intentions, and the specific policies which were implemented toward the meeting of its objectives. In particular it details the descent into economic crisis which characterized the 1980s and explores the evolution of economic policy as the FSLN reacted to the deteriorating economic situation.

4.2 Nicaragua's Economy during the 1980s:

When the Somoza dictatorship was finally toppled in July 1979 the Nicaraguan people looked forward to a new period of political freedom and economic well-being. Having succeeded in toppling the entrenched Somoza regime there were enthusiastic expectations about how far the new government would be able to transform Nicaraguan society to the Advantage of the 'popular' sectors. As well as struggling to overcome the political repression and social differentiation ingrained into Nicaraguan society during the preceding centuries, the FSLN also saw the handling of the economy under Somoza as having been wasteful and uncoordinated and thought that it would be relatively easy to direct the enthusiasm of the masses into a new more egalitarian and more dynamic economic system.

The FSLN's response to the economic and social structures that they inherited from the Somoza regime was the formulation of a mixed economic strategy that was in essence a long term adjustment programme. Within the context of a model of accumulation that allowed for the development of a new state sector (The Area of Peoples' Property), as well as the reproduction of the large private sector and the

peasant sector, this strategy combined the search for a more advantageous re-insertion into the international economic system with the redistribution of income and political power (including agrarian reform, the expansion of social services and the subsidization of selected basic consumer goods). The intention was to expand economic activity via heavy investment in large-scale projects of long term maturation (in agro-industry and industrial and energy import substitution), whilst maintaining food self-sufficiency, largely through the development of an agrarian reform programme. Control over the direction of the economy was realized through the nationalization of the banking sector and foreign trade, enabling the state to control the macro-economic arena without dominating the productive structure of the economy.¹ The sustainability of such a scheme was to be based on a search for productivity improvements and increases in the value added in the production process, rather than on what was seen as the traditional dynamic of the over-exploitation of labour in the export sector. Within this scheme, however, traditional agro-export production was still to be maintained as the key sector in the transformation process; with the newly-formed state-sector envisaged as increasingly providing the fundamental motor of the accumulation process and the financial means to deepen the social and economic transformations towards the eventual socialization of Nicaraguan society (although a large proportion of total production was to remain indefinitely in private hands, see Chapter 2 regarding the underlying ideology to this strategy).

This model of development was spelt out explicitly in 1981 (MIPLAN, 1981) and had been preceded by much internal debate within the FSLN (see Cabieses, 1986 and Cuenca, 1992). The model represented the dominance of a technocratic 'modernizing' vision which placed the key productive role in the hands of the state through the development of the state farms and a wide interventionist role for the state in the running of the economy, together with the substantial state-led agro-industrial investment programme. There were, however, other voices in the discussion, and concerns were raised over the role of the market, the capacity of the state to meet its greatly extended role, and the relationship with the peasant sector (see Cabieses, 1986:84). These voices were to come to greater prominence during the 1980s, as the revolution was forced to confront internal political problems as well as the military and economic aggression of the US.

By the time the Sandinistas confronted the 1990 election campaign, the early idealistic

¹ This was made easier by the fact that this had also been the means whereby Somoza and the other major groups of Nicaraguan capital (BANIC and BANAMERICA) had exerted their control over the processes of accumulation. Thus, the expropriation of the interests of the most important of these groups (Somoza and his associates), coupled with the nationalizations indicated, gave the FSLN a substantial degree of control over the macroeconomic arena.

visions of the future were long gone, as Nicaragua struggled to survive through, what Carlos Vilas describes, as the worst economic panorama in its history (Vilas, 1990a:12). By that time the economy had experienced seven years of negative growth-rates and the living standards of the vast majority of Nicaraguans were far below what they had been immediately prior to the revolution. The extent of the economic deterioration reached by the end of the 1980s and its devastating effects upon the Nicaraguan people and upon the viability of the revolutionary government can be seen from the following key indicators.

4.3 The Developing Economic Crisis:

By the end of 1989 the standard of living of most Nicaraguans was well below what it had been in 1979. In fact CAHI (the Central American Historical Institute) estimates that the real value of wages had fallen by 92% since 1981 (*Envio* no.97). The particularly dramatic decline in purchasing power towards the end of the decade (important in relation to the economic situation immediately prior to the elections) is strikingly shown by the following figures quoted by Vilas:

Table 4.1: Nicaragua: Index Of Real Wages 1988 And 1989 (1980 = 100)	
February 1988	29.2
June 1989	6.5
December 1989	1.0
Source: Vilas (1990a:12)	

ii) The retrenchment of government workers, the collapse of domestic industrial production, and the general economic malaise, meant that by 1988 nearly 35% of the population was unemployed or under-employed (Vilas, 1990a:12).² Furthermore the economy was marked by a pronounced transfer from productive to unproductive activities. The total of those formally employed declined, as individuals migrated from

² Data from Perez and Somarriba (1989) puts the level of unemployment for 1980, 1984 and 1987 at 18.3%, 20.6% and 25.1% respectively. These figures, although not directly comparable with Vilas' for 1988, do, however, show a significant upward trend over the period. These figures should be treated with a certain amount of scepticism because of the difficulties in estimating unemployment levels in a country such as Nicaragua and in the particular conditions of the late 1980s. Despite this it can be argued convincingly that unemployment levels rose to a significant degree toward the end of the decade.

productive activities in the countryside, to the informal and commercial sectors of the towns (especially Managua) (Cabieses, 1986:22).

iii) In addition to the continued fall in the purchasing power of wages, and the increasing difficulties faced by the population in finding employment, the other major economic problem was inflation. In 1989, for example, the spiral of price increases, although far lower than it had been in 1988 (estimated at between 1689% & 3500% as compared to 33,600% in 1988) still represented an unacceptable hyper-inflationary situation that continually eroded the purchasing power of the populace and confidence in the FSLN's economic competence (Ubau, 1990).

iv) The striking successes of government programmes in the spheres of education, health and other forms of social welfare which had been achieved during the early years of the revolution had begun to suffer serious erosion and reversal by the end of the decade.³ Furthermore, the differential impact of the stringent austerity programmes carried out in the later years of the decade were serving to increase income inequality and social differentiation.

"During 1988, milk consumption fell by 50%..... Tuberculosis and malaria spread widely and during the first trimester of 1989 infant mortality due to diarrhoea was double that a year earlier. According to estimates made by officials of the Ministry of Education the illiteracy rate in Managua (had increased to) 30% among the adult population at the end of 1988."
(Vilas, 1990:12).

4.4 Sandinista Economic Policy 1979-1990: An Overview:

What then had led to the inability of the FSLN to meet the economic demands of the Nicaraguan people over the decade during which it held state power? The present section of this chapter details the evolution of the economic crisis during the years of FSLN rule.

It had, in fact, been apparent from as early as 1983 that the FSLN's economic model was facing serious difficulties. Following a brief period of economic recovery immediately after the insurrection, in every year since 1983, GNP not only failed to exhibit growth, but actually fell. Furthermore, as the decade progressed, the deficits in the external trade balance became increasingly alarming, as the FSLN's programmes of productive transformation, and a continuous expansion in overall demand,

³ The 1981 literacy crusade had been recognized for its far-reaching successes with a UNESCO award, the development of the health sector was also internationally recognized as a successful example of the combination of preventative and interventionary medicine (for more details on these and other social programmes see, for example, Williams, 1991)

necessitated an ever increasing element of external financial resources. At the same time, however, export production failed to respond to incentives and production levels progressively fell. Exports of goods and services fell from \$690 million in 1979 to a level of \$274.8 million in 1988, whilst imports rose from \$601.5 million to \$1009.1 million over the same time period (INEC, 1989) ⁴

Within the domestic economy there gradually evolved a debilitating distortion of relative prices (exchange rates, consumer and producer prices, interest rates, tariffs, and wages in the formal and informal sectors); with serious repercussions on overall economic efficiency, and over time the state began to lose control over the general direction of economic processes. The imbalances created irrationality in the distribution of resources, acted against productive activity, and encouraged speculation, contraband and the informalization of the economy (Cabieses, 1986:30). This is expressed succinctly by Ricciardi (1991:257);

"..The combination of the financial distortions associated with printing money to cover burgeoning state spending and the system of price and exchange rate controls designed to meet the redistributive planning objectives of the state proved to be an explosive mix. Black markets in goods and foreign exchange appeared alongside controlled markets, promoting a growing class of speculators who pursued windfall profits by arbitraging across the widening price differentials between those markets."

The above quote also highlights another of the major ongoing financial problems of the period, that of the consistently high ratio of fiscal deficit to GNP. This reflected the post-revolutionary expansion of state activity in the economy to meet the government's transformative, redistributive and defence commitments. As export earnings dwindled (see above) and access to external resources stagnated (see Barraclough et al, 1988) this deficit had to be financed increasingly by recourse to the printing of domestic currency; with a resulting increase in monetary circulation which, over time, drew the economy into the observed spiral of inflationary pressures.

4.5 The Causes Underlying the Economic Crisis:

What factors then underlay the descent of the economy into such chaos? Throughout the decade, the US and the majority of Nicaraguan opposition groups placed the responsibility for the development of the economic crisis firmly in the hands of FSLN mismanagement and indefinision. The latter was expressed chiefly in terms of the type of role envisaged for the private sector within the Sandinista concept of the mixed

⁴ It should be noted that the decline in export earnings reflects not only declining levels of production (volume effects) but also the collapse of the international prices of Nicaragua's major agro-export commodities (price effects), which also affected the other countries of the isthmus.

economy (see Fernandez, 1990 and the contributions by Enrique Bolanos (COSEP), Emilio Alvarez (Nicaraguan Conservative Party) and Eduardo Corenado (Independent Liberal Party) to CINASE, 1986). The FSLN, for their part, stressed the negative influence of the structural deformations within the economy inherited in 1979 which they claimed had exposed the economy catastrophically to the international recession of the early-to-mid 1980s, the imperialist military and economic aggression of the US, and the lack of participation by large sectors of the bourgeoisie in the struggle to rebuild and adjust the economy. As has been pointed out by Medal (1988) amongst others, the reality of the crisis was more complicated than either of these positions suggests, and can only be understood when the structural factors, socio-political and strategic factors, and the nature of the revolutionary transition process itself are taken into account together.

This section proceeds by discussing the various factors at play in the development of the crisis under four inter-related headings: The inherited economic structure, the transition process and the mixed economy, the effects of the aggression, and issues of government policy.

4.5a The Inherited Economic Structure:

The imbalances that developed within the Nicaraguan economy during the 1980's did not simply originate with the triumph of the revolution in 1979, as can be seen from the discussions in the previous chapter. The FSLN's economic model had to be designed within the constraints of a pre-existing economic base that already faced severe structural problems (Gutierrez, 1989b) and this inherited structure continued to exert a strong influence on the determination of the possibilities open to the government within the economic sphere during the revolutionary years.

As revealed in the preceding chapter, the structure of the Nicaraguan economy at the end of the Somoza period still remained of a particularly open nature, dependent on the export of a limited number of primary products, mainly for direct rather than productive consumption, and with little value added in the production process or strategic weight (the most important crops were cotton, coffee, bananas, beef and sugar)⁵. In addition, the domestic market was very weakly developed and the economy suffered from a high vulnerability to the fluctuation of international prices. This meant that the Nicaragua economy was profoundly affected by the changes in the international financial and commodity markets that took place during the 1980's,

⁵ This dependence on primary produce increased during the last decade due to the collapse of the Central American Common Market; a major source of demand for Nicaraguan industrial production (see Medal, 1988 and discussions in Chapters 3 and 6).

facing the full force of the world recession of that period, principally via a worsening in the terms of trade.⁶ Medal (1988:20) for example shows how the purchasing power of Nicaragua's exports fell by 20% between 1981 and 1984.

The other major structural problem of the economy concerned the lack of articulation that existed between the industrial sector and the primary sector. The industrial sector has been dependent instead on imported inputs and capital goods, and acted therefore as a net consumer of exchange, being dependent on the primary export sector to generate the exchange needed to guarantee its existence⁷ (see Medal, 1988).

By the triumph of the revolution in 1979 these structural factors, together with the barbaric excesses of the Somoza regime, had helped to produce a situation where the Nicaraguan economy had the highest foreign debt burden in the whole of Latin America, in terms of the ratio of total debt to GDP (See Stahler-Sholk, 1987).

Furthermore, the insurrection had in large part crippled the economy which, coupled with the accompanying decapitalization, served to produce a particularly adverse economic situation for the triumphant revolutionary forces in 1979. This negative situation was then intensified by the onset of the international recession in the early eighties as outlined above.

4.5b The Transition Process and the Mixed Economy:

As Arana et al (1987b) point out, the establishment of the political legitimacy of the revolutionary state, via changes in the social relations of production and strong redistributive policies, advanced much more rapidly in the early years of the revolution than those structural changes in the forces of production that were intended to lead to the recuperation of economic viability. This combination greatly influenced the development of the macro-economic deficits discussed above, not least through dramatic increases in overall demand, without the productive response to achieve its satisfaction.

It should be pointed out here that this experience is typical of countries undergoing a process of politico-economic transition (see Griffith-Jones, 1981). This stems from the fact that the processes of social transformation themselves are inherently destabilizing to the economy. The distortions that are produced may include: the multiplication of the tasks of the state within a context of the flight of capital and trained personnel, rapid growth in overall levels of demand (see above), lack of incentive for private investment due to the inherent uncertainty, and the decreased

⁶ Although see the arguments about this presented in Chapter 6.

⁷ The classic problem of import substitution in small dependent economies.

productivity of labour (what Ricciardi terms labour's "historic vacation", see Ricciardi, 1991:252). Nonetheless, as Wuyts (1989) points out, in a process of profound productive transformation, such as that carried out in Nicaragua, economic disequilibria can be acceptable (since it is in many cases also unavoidable) if the direction of the economy towards the desired structural change can be maintained. This will be dependent to a large degree upon the availability of external financing (see Vilas (1989a).

However, in the Nicaraguan case the socio-political dynamics of the model of transformation embarked upon, the decline in non-tied external assistance, the international economic crisis, and the accumulating effects of the military and economic aggression of the US, combined to produce such a degree of economic disequilibria that by 1985 the direction of the transformation process could no longer be maintained, and it was apparent that some form of stabilizing action would have to be taken (see discussions below).

4.5c The Effects of the Aggression:

The negative effects on economic performance occasioned by the transition process itself, distortions in the inherited economic structure, and the international recession, were intensely magnified by the incidence of the military and economic aggression of the US. The decline in the terms of trade of the major Nicaraguan export crops in the early 1980's was amplified by the imposition of the US trade embargo in 1985, and the consequent need to search for new markets for Nicaraguan exports. Other debilitating effects caused by the aggression included: the constant drain on resources imposed by the necessities of massive military spending (the largest single element in the growth of the fiscal deficit), the physical damage caused by the war, the disruption to agricultural production, the destruction of social services, the psychological war-weariness of the population, population displacement, the blocking of international financing, and the adverse climate for private investment.

Various attempts have been made to evaluate financially the negative effects of the aggression upon the Nicaraguan economy. Monterray (1989:2), for example, quotes a figure of \$17.8 thousand million (see also Fitzgerald, 1987, Mayorga, 1986, Marchetti and Jerez, 1988 or figures produced by the Nicaraguan government for the World Court case brought against the US administration). The figures produced by this type of exercise should, however, be treated with some scepticism; not because the effects of the aggression are to be doubted, but rather because it is impossible to differentiate the negative effects of the aggression from other factors affecting

economic performance. What it is possible to say, though, is that the aggression has made a critical evaluation of the original project of the FSLN far more complicated. It is practically impossible to separate Nicaragua's economic trajectory during the revolutionary period from the effects of the external aggression, since, in the face of the intensification of the war, the logic of the revolutionary project had to change from that of social and economic transformation and political sustainability, to simple material survival. However, what can be examined is the response of the FSLN to the deepening of the contradictions exploited by the aggression, and the various alternatives that lay open to policy-makers in such a context.

4.5d Policy Issues:

Following on from the preceding sections, it must be recognized that not all of the blame for the growth of the economic crisis can be apportioned to US imperialism or the international economic crisis. Behind the macro-economic disequilibria, in addition to the effects of the external aggression and the structural crisis of an economy based upon traditional agro-exportation and the Central American Common Market promoted industrialization, there also lay the accumulated effects of the FSLN's policy formulation. It has already been noted above, that the transition process itself brings economic instability, but the nature and extent of the imbalances caused by this are dependent upon how the transition is conceived and implemented.

In the Nicaraguan case the broad nature of the alliance which overthrew Somoza, together with geopolitical considerations and the structure of the Nicaraguan economy, led the FSLN to sustain the principle of a mixed economy, where the logic of private capitalist accumulation was legitimated within the transition process described above. The dynamics of this mixed economy find expression in the contradictory relationship that exists between the needs of private capital accumulation and the priorities central to the FSLN's socialist transformation project. This relationship must be understood, not only as the percentage composition of different forms of production within the economy, but also as a search for convergence between two opposed but legitimate economic criteria (the logic of planning for the needs of the majority and the logic of private accumulation, see Semillan, 1988). Victor Tirado (one of the nine members of the FSLN's National Directorate) interprets the struggle between these two elements, for control over the direction of the economy, as giving the Nicaraguan transition an inherent instability due to the contradictory nature of such a struggle. Within this conception the long term direction of the revolutionary process will depend upon the political alliances and the material conditions that sustain the two elements (Tirado,

1988).⁸

However, from as early as 1981 the effects of the intensification of external aggression, began to conceal the tensions that existed in the handling of this unstable relationship between transformation and private accumulation. Relatively early on the government had developed a political doctrine of national unity, designed to unite the different groups within Nicaraguan society against the increasing challenge of the aggression. The economic strategies that stemmed from such a doctrine were employed with the intention of ensuring the widest possible participation in the processes of economic reactivation and transformation, via policies of widespread subsidization and incentives (Semillan, 1988). Fitzgerald (1988:20) argues that, inherent within this doctrine was an attempt to separate economic decision making from politics. In effect, negotiations between the state and private producers were therefore conducted at the level of prices and credits, which were both provided at extremely generous rates. What this actually represented in practice was the automatic guarantee of profit margins at the expense of productive efficiency. These policies were intended to unite the nation's various social groups against the common aggressor via a scheme of income distribution that protected popular living standards and the profits of capitalist producers; whilst at the same time a rapid process of productive transformation was embarked upon within an effort to ensure the scheme's sustainability. This then necessitated a level of compatibility between:

- A) An improvement in the income of salaried workers.
- B) An improvement in the economic position of the peasantry.
- C) A stimulating level of profitability for the bourgeoisie.
- D) An ambitious investment programme geared towards the productive transformation of the country (Barahona, 1988a)

The problem with this scheme was that it was not economically viable in the longer term. Its initial viability was based upon the availability of sufficient foreign resources to cover the macro-economic deficits incurred. However, as time went by, the elements that would permit the re-insertion of the economy into the international

⁸ In fact there has been considerable debate about the nature of the mixed economy in Nicaragua. Much of this centres upon the possibilities for the reproduction of the different sectors of property under the hegemony of the Sandinista state. Weeks (1986), Ruccio (1986) and Fitzgerald (1988) provide interesting alternative perspectives on this. Another strand of the debate related to whether the strategy of the mixed economy was an intrinsic part of the Sandinista project or simply a pragmatic short term tactic. See also the various perspectives on the mixed economy put forward by representatives from six opposition political parties, COSEP, and researchers from various Nicaraguan institutions in CINASE (1986)

system (the continued generation of exchange and productive returns on the investment projects), and thus the recuperation of economic viability could not be developed. This was due to the interaction of several factors, which included: the intensification of the aggression, the rapidly dwindling access to un-tied external resources, the inefficient performance of the state sector, and the failure of the large private producers to respond to the incentives offered them. This meant that the budget deficits involved in the subsidization policy had to be financed increasingly by recourse to Central Bank monetary emission, adding to the spiral of inflationary pressures (Barahona, 1988a).

In this way it can be seen that the FSLN's pursuit of national unity, via the subsidization of a broad range of sectors, was not economically viable under the conditions outlined above. As expressed by Barahona (1988a:27),

"The indiscriminate distribution of subsidies supposes not only stable flows of external resources but also that some sector produces with profitability."

With the marked decline of the first, and the disappointing performance of the second, the continued employment of this widely based subsidization policy rapidly accelerated the destabilizing pressures that the economy was experiencing. To explore these issues fully requires a detailed examination of the evolution of economic policy. The following section does so by charting the development of the FSLN's Economic Policy through a number of different stages.

4.6 1979-1981: Reconstruction, Idealism and Consolidation:

The first couple of years following the revolution saw the FSLN begin to implement the programme of economic transformation, described in the first section of this chapter, and also saw the consolidation of their political power. Amongst the first actions carried out by the new government, toward the implementation of the strategy, included;

- i) The appropriation of the property of Somoza, his close family and associates who had fled the country [this amounted to around 20% of the agricultural land of the country (although it was originally thought to represent a much greater proportion than this) and some of the most efficient large farms and businesses.]
- ii) The formation of the state productive enterprises of the APP,
- ii) The nationalization of the banking system, natural resources (including mining) and foreign trade.

The state was therefore seen to have a key productive role but not the only important one. Instead the ability of the state to direct its chosen economic strategy lay in its control of the macro-policy arena (as in the majority of Western mixed economies.) Thus, as expressed by Arana et al (1988:57);

"State control of foreign trade and the financial system would permit the channelling of surpluses towards state investments and increase consumption patterns in the poor and working sectors of the Nicaraguan population."

Political control was to rest not on overt coercion but on the concept of hegemony, where state intentions were to be achieved through the maintenance of a broad hegemonic alliance of 'patriotic' groups. This mixed economy *"would guarantee a place for all, regardless of ideological or political preferences, as long as a commitment to production was maintained."* (Norsworthy, 1990:65). In order to consolidate the hegemony of the revolutionary project, the FSLN were faced with a twin problematic; firstly they needed to begin to implement profound structural transformations to meet the demands of the popular sectors for improved living standards, land and participation, but at the same time they were faced with an economy which had been severely damaged by the insurrection against Somoza. Vilas (1986:153) outlines the situation succinctly;

"The war against Somoza provoked enormous human and material losses, and the complete disarticulation of the economy.....around 35,000 people died, between 80,000 and 110,000 were wounded..... and 1 million people required food assistance to survive..... Material losses totalled some US\$480 million, and more than US\$1.5 billion had been sent abroad: this total of almost US\$2 billion was equivalent to the value of gross domestic product. Furthermore, the final stage of the struggle coincided with the season for preparing the land and sowing both export crops and those for the internal market. The internal displacement of the population,.....the emigration.... of many capitalists and their capital, the disruption of the financial system, the blockade of roads, the rustling of part of the cattle herd to Honduras, all of this seriously affected the agricultural sector and presented the spectre of hunger to the young revolution."

Given the terrible economic situation which was inherited, the performance of the Nicaraguan economy in the first years following the insurrection was impressive. The annual growth in GDP reached 11% in 1980 and 5.3 % in 1981. These were particularly impressive figures given the descent into regional recession that characterized the period (Bulmer-Thomas (1990:355). Economic policy was geared toward the recovery of the agro-export sector (consistent with the emphasis upon this

sector as the key to diversification and transformation noted above). Wage increases were limited to come below the level of inflation, although they did show an increase in reality. However, improvements in the living standards of the majority of Nicaraguans in this period owed less to any monetary wage increases and more to improvements in 'the social wage.' Such measures included: the expansion of public services, the imposition of rent controls (for land and housing), controlled prices and subsidized basic goods, and, in the case of those in the agricultural sector in particular, the rapid expansion of credit provision at low if not negative rates of interest.⁹ In part, as argued by Ricciardi (1990:250), the successes of this period were deceptive. The initial two years of the revolution saw a liberal supply of foreign assistance¹⁰ (including the US until 1980), but during the following years such assistance was harder to come by, and the expansion in public spending it had assisted would thereafter have to be financed increasingly by internal means. Thus, in the first period, the expansion of popular consumption, and improvements in the living standards of the 'popular' sectors, could progress without substantial effects upon the interests of the propertied sectors with whom the government needed to remain on good terms. This was also helped by the fact that it was possible to form the emerging state sector from the expropriated lands and businesses of Somoza, again without encroaching on the lands of larger landowners.

"In such an environment, national unity did not involve immediate tangible economic sacrifices, nor were the financial limits to the state's welfare goals apparent." (Ricciardi, 1991:250).

Some attempts at stabilizing the economy were made in this period (see Gibson, 1987a:32-34). The coupling of structural transformations with a commitment to the recovery of agro-export production was intended to cover the costs of the Sandinista's strategies. As noted above, wages were controlled within an effort to avoid the inflationary effects of increased expectations. In addition, in an effort to control the balance of payments deficits, a ban on the import of luxuries was imposed, together with the rationing of petrol, and by mid-1980 the provision of credit was also brought to within stricter limitations. Gibson (1987a:33) argues that in fact during this period there was little excess demand pressure on the economy, due mainly to the abundant foreign loans, and the money supply increased by less than 30% in both

⁹ Total credit grew by 46.7% from 1979 to 1980 (with another 22.9% increase in 1981) the majority of this went to the agricultural sector. (Ruccio, 1989:228)

¹⁰ In the second half of 1979 alone US\$83 million was given in official grants and US\$272 million in loans.

1980 and 1981. This is reflected in the fact that during the period inflation was brought down from 70% in 1979 to 23% in 1981 (Stahler-Sholk, 1990:60).

4.7 1982-1984: Large-scale Investment, Growing disequilibria and the Increasing impact of the War:

This period saw the end of the initial euphoric phase, the implementation of the large-scale investments implicit in the FSLN's rationale for economic restructuring, and the gradual move towards a war economy as the struggle against the Contra intensified. Reflecting this last factor, government expenditure on defence grew from 13% of the total budget in 1981 to 25% in 1983. Between 1983 and 1984 the US attempts at destabilization increased markedly, leading to the necessity of a military draft and further increases in defence spending.

The period also saw the constant growth of monetary problems, as soaring demand outstripped declining production levels, and the economic gains made in 1980 and 1981 gave way to decline. This was reflected, for example, in the negative growth of GDP in 1982. By 1985 the productive recovery of the first few years had largely been eroded, as industrial production collapsed, along with mining, fishing and the production of maize. Whilst the production of the staple food-crops of beans and rice, and the two major export commodities, cotton and coffee, stagnated, failing to register the hoped for levels of growth and predicted earnings (Cabieses, 1986:122).

Despite an adjustment carried out in 1982 (which cut imports by 26%, provided a series of incentives to the export sector, reduced the flow of credit to the private sector, and saw a reduction in real wages), the budget deficit continued to grow, as defence spending soared, the country was hit by severe flooding in May 1982, and the substantial programme of productive investment continued to be implemented (Stahler-Sholk, 1990:60-61). The increasing pressures resulted in the development of a serious demand-induced inflationary problem (partly hidden by the price controls in use within the economy), and the rapid development of a second informal economy based upon speculation.

Many of the problems resulted from the conflicting economic and political pressures operating upon the government. First, there was the growing problem of the burgeoning needs of defence spending, and, secondly, the need to maintain productive activity in the context of markedly declining terms of trade and an intensifying foreign exchange shortage (see Chapter 6). Furthermore, due to the weight of the large private sector's involvement in the production of the major agro-export commodities, their participation had to be maintained. This was attempted through the development of an export incentive programme favourable to that sector. This programme consisted of a

multiple exchange-rate system coupled with the use of guaranteed prices.¹¹ Such measures represented an exchange-rate subsidy for the sector which was a significant drain on government expenditure and yet appears to have had little success in its intention of encouraging private sector investment or increasing production levels. As argued by Gibson (1987a:34), under less uncertain political conditions, the level of government expenditure should have provided a very favourable climate for private investment but, in the context of the war, even negative interest rates on freely available credit and the package of export incentives had little impact, and the state was forced to take over the bulk of accumulation in the economy.

In addition to this, as well as needing to provide incentives to the export sector, it was neither politically feasible, nor desirable, for the government to attempt to stabilize the economy via either a decline in the attempts at social transformation or a reduction in the level of basic consumption. Thus, although the 1982 adjustment was recessionary, the government tried to ensure that cuts were made that affected non-basic consumption rather than basic consumption (Stahler-Sholk, 1990:61).

Moving on to other policy considerations it can be noted that the long term investment projects that were to sustain the original transformation strategy, did not begin to be widely implemented by the government until this stage (From 1983 to 1985, 60% of net external payments were dedicated to the investment programme).¹² Arana et al (1987b) argue that, under more favourable circumstances, this immense undertaking of investment in profound structural transformation could have questioned the exclusive importance often attached to monetary equilibrium by the international financial agencies. They suggest that given different circumstances, i.e. access to continued applicable financing and the absence of the necessity of such high levels of defence spending, the original project of long-term structural transformation could have represented an innovative alternative model of recovery to the monetary stabilization programmes favoured by the International Monetary Fund.

However, by the time the investment programme began to be implemented in 1983, the extent of the developing economic disequilibria and the growing limits on access to un-tied external resources had already been realized. Implemented at this juncture, these projects became a mill-stone around the neck of the economy, as they demanded growing proportions of increasingly limited resources, without affecting concurrent production levels. Bulmer-Thomas (1987) points out that it was precisely when

¹¹ The system provided favourable rates for agro-exports but severely penalized all non-essential imports.

¹² In the first two years of the revolution the massive inflow of resources, in aid of the reconstruction programme, had mainly been used for social spending and infrastructural replacement. Productive investment accounted for less than 30%.

Nicaragua was engineering this public sector 'boom' in 1983, that external circumstances were such that the rest of Central America was entering a stringent, IMF conditioned, austerity phase. Perhaps if the inflow of resources in the first two years of the revolution had been used for these productive purposes this ambitious programme might have been sustainable but under the rapidly deteriorating external conditions it only served to intensify the growing economic instability (for a well informed discussion of investment strategy see Kleiterp, 1989).

The actual composition of the investment programme has also been the subject of much debate and critique. In particular, the capital intensive nature of the projects initiated and the lack of job creation which this represented have been severely criticized (see Ricciardi, 1991:256 or Kleiterp, 1989:86-91). Furthermore, the vast majority of the investment programme was geared toward the development of completely new projects rather than the redevelopment of existing capacity, which, during the course of the 1980s, suffered serious deterioration. The size of many of the projects also meant that they made no contribution to productive totals until they were completed, which in several cases, was a matter of several years. This meant that the investment programme continued to demand increasingly scarce resources without significantly contributing to production levels (Cabieses, 1986:118).

Another retrospective criticism of the FSLN's economic policy formulation in the early post-revolutionary years is that it seems to have been a fundamental error (within an economy still under the domination of private forms of production and dangerously open to the destabilizing effects of international market fluctuations) to have attempted to substitute the system of relative prices in the economy, i.e. that produced by the law of value, for a system largely dominated by state regulation. In reality the weakness of the state's capacity to regulate markets meant that the law of value continued to operate in the many instances that the weak state regulation left open. This then led to the growth of an informal economy that, over time, appropriated an increasing part of the surplus from the formal (see Arana, 1990; Spoor et al, 1989 and the earlier quote from Ricciardi, 1991), therefore operating against the government's redistributive aims and imposing new mechanisms of income concentration as speculation became more lucrative than production.

Thus, the transformation strategy implemented in the first years of the revolution was characterized by a form of centralized control, based on the administration of prices and resources. A series of economic reforms instigated in 1985 implicitly recognized this strategy as an error of judgement and, furthermore, that a policy of national unity need not have implied the creation of subsidies to all and sundry, and saw the reintroduction of certain market mechanisms.

In concluding this discussion of the evolution of economic policy up to 1985, it can be seen that the disequilibria within the economy evolved from the interplay of a number of different factors. Their understanding of the economic structures they had inherited suggested to the FSLN that the restoration of a manageable equilibrium in the balance of payments and the pursuit of a politically and economically sustainable model of development could only be achieved through a process of profound structural change. The implementation of which, in itself, could perfectly well result in important internal and external disequilibria in the short and medium term, especially given the political necessity of income redistribution.

These underlying tensions were exacerbated and amplified by the economic and military aggression of the US, and it has become difficult to evaluate the development of the FSLN's economic thought, as policy formation gradually became a matter of economic survival rather than productive transformation. In addition, these disequilibria were demonstrably worsened via mistakes in policy formulation, especially in the overstretching of the financial and administrative capacity of the state. The interaction of these factors, therefore, combined to produce a situation in 1985 where, regardless of the causes perceived to underlay the problems, it was starkly apparent that direction of the economic process was being lost, and that some radical changes would have to be made.

The above discussion raises some important questions, both for Nicaragua specifically and in some general areas. The development of the economic crisis presents several areas for consideration: firstly, it opens up debates as to the applicability of the model of transformation employed by the FSLN in the first few years following the insurrection (this can broadly be characterized as state-centred in terms of the theoretical discussion entered into earlier). Two of the factors considered, the inherited economic structure and the external aggression, lie beyond the realms of control via internal policy decisions and have to be considered as 'given' in the transition process (although the severity of the effects of the international recession of the early 1980's should not be underplayed). What can be examined, however, is the applicability of the chosen model of development and the policies formulated from that model, within the external constraints imposed upon the transition process.

What has been assessed thus far essentially concerns the factors at play within the development of the economic crisis, rather than the various alternatives that were open, in terms of the formulation of overall economic strategy or policy-making at specific junctures. The types of questions left open are many: how can a revolutionary government meet the demands of its people without producing debilitating economic

imbalances? What is the most productive relationship between planning and market forces in a transitional economy, where the preservation of a large private sector is necessary or desired? Can a productive transformation be carried out with decreasing access to external resources? A second area concerns the types of measures that needed to be taken to regain control and install direction to the economic process, whilst bearing in mind their applicability to the social base of the revolution. It is to this area that this discussion now turns.

4.8 1985-1987: The Search for Stabilization

By 1985 the need for the Nicaraguan government to regain control and restore a form of equilibrium to the economy had been established. The questions that remained concerned the form that any such actions should take. In common with all stabilization and adjustment programmes, the measures employed would have to have as their objective, the recuperation of control over the economy and the achievement of a manageable equilibrium in the national accounts. In the case of revolutionary Nicaragua, however, any such programme of measures would also have to consolidate the socio-economic transformations realized thus far and also be able to ensure the preservation of the hegemonic political alliance. That is the programme had to be reconcilable with the objectives of transformation and redistribution inherent in the revolutionary project, objectives not normally given priority within the formulation of stabilization and adjustment programmes!

The first dramatic change in economic policy was introduced in 1985 and ostensibly froze any further pursuit of economic transformation. The series of measures introduced was based upon recognition of the limited possibilities of securing future external co-operation,¹³ the deepening of the military and economic onslaught of the Contra-war, and a consequent decline in government expectations for productive transformation. The measures could not, however, really be characterized as a full-blown IMF-style stabilization programme, since their primary objective was not to close the fiscal deficit, or to defeat inflation in the short term. Instead, the main thrust of the programme was the intention to regain control of the direction of the economy, and, in particular, to strengthen the position of the formal economy in relation to the informal sector.

The specific objectives were to restore state incomes, to redimension the investment programme to come within more realistic limits, to increase basic food supply (via an

¹³ The decline in multi-lateral financing was offset for a while by support from the Soviet Block, which peaked in 1985, but by 1986/7 Nicaragua was left relatively starved of foreign assistance. See discussions in chapter six.

improvement in the rural/urban terms of trade and a widening of the agrarian reform),¹⁴ and to increase the real value of wages. Towards this end more flexible administrative controls were adopted, the variable exchange rates devalued, and the system of subsidies more closely related to the state's economic capacity. This represented a basic re-evaluation of the functioning of the mixed economy, via a freeing of the possibilities for private capital accumulation, whilst still promoting the protection of popular living standards. In many ways this involved a recognition of the administrative and financial limits that had been encountered by the state in its use of selective planning instruments, and the consequent partial re-introduction of more traditional mechanisms of economic management (this also implied a recognition of the real importance market laws had continued to exert in the economy between 1979 and 1984).

This package of reforms was fundamentally defeated via the continued intensification of the war and the consequent budgetary necessities of what was rapidly becoming a survival economy. In addition, the private sector did not respond to new incentives which were offered to them. The result was that the initial measures were in many cases not followed through and aborted attempts to correct the distortion of relative prices only served to intensify inflationary tendencies. Another major problem was that the effects of the reforms upon the population, through the ending of subsidies and the cutting back of social programmes, as well as the inflationary pressures which they released, lead to an increasing questioning of the economic competence of the government and the specific effects of the reforms upon the poor. As argued in *Envio* (September 1986:18)

"A whole series of problems were crumbling the foundations of the economy without the population realizing it. In particular, it was sagging under the weight of strong subsidies to both consumers and producers. When the government eliminated the subsidies and devalued the currency the problems provoked by an increasing external deficit fell full force on the population."

Policy decisions over the next couple of years could basically be characterized as a search for a way of living with this inflation. Attempts were made to counteract some of its distorting effects, whilst, at the same time, attempting its gradual reduction. Such a process was dependent upon government policy instruments not getting left

¹⁴ In fact the changes in the relationship between the state and the peasantry went deeper than merely reflecting the government's desire to increase food supply. It is suggested by authors such as Kaimowitz (1988) that the FSLN's economic strategy shifted, from this point onwards, away from the large-scale state centred model towards the incorporation of the peasant sector as the key to the accumulation process. However, in many ways such a shift in policy is difficult to evaluate due to the worsening economic crisis and the later imposition of the 1988/89 reform programmes which have since dictated economic priorities. See the discussions in Chapters 6 and 7.

behind by the inflationary spiral which, however, in the context of the worsening military situation, was what increasingly tended to occur.¹⁵ One example of this comes from the efforts the government made to try and protect the position of the formal workforce in the context of the expansion of speculation in the increasingly inflated economy. The government tried to raise salaries in the productive sectors but were forced to expand such increases to the non-productive sectors as well. This increased the money in circulation in the economy, which was chasing an increasingly limited supply of goods, thereby further fuelling the inflationary spirals and making the salary increases worthless (*Envio*, September 1986:19-22)

In fact the basic rationale of the 1985 reforms was frequently abandoned in this period and the programme never fully implemented (for more detail see Arana, 1989, Vilas, 1990 or Medal, 1988) As the inability of the Sandinista state to control the economic crisis became more apparent, the population shifted from its earlier view of the revolutionary state as an 'inexhaustible fountain of benefits' to search for ways to survive the crisis on their own encouraging more and more people to leave the formal economy (*Envio*, September 1986: pp. 23). The continued and intensifying economic crisis eventually culminated in the adoption of a full-blown stabilization programme, initiated in February 1988, and continued in the Taylor Plan of 1989.¹⁶

4.9 1988-1990: Austerity, Hyper-inflation and Market Reforms:

The final decision to embark upon a programme of stringent economic stabilization and austerity had been preceded by much internal debate within the government, chiefly between the monetarist inclined Banco Central and the more structuralist leaning agricultural ministry (MIDINRA). The imposition of the programme represented the dominance of the monetarist position, although the programme of measures implemented in February 1988, with the twin objectives of breaking inflation and realigning relative prices, had in the first instance, a strong 'heterodox' element in its approach towards inflation. The basic tenets of the measures were as follows:

- i) The introduction of a new currency, set at the level of 1,000 old cordobas to one

¹⁵ Ricciardi (1991) shows how the dramatic increases in inflation outstripped attempts at monetary stabilization via devaluation, leading to farcical price distortions. For example at certain points in time a gallon of imported gasoline was cheaper than a slice of domestically produced water melon. Inflation also caused problems in relation to bank interest rates producing situations where with inflation at over 1,000% and interest rates at less than 50% it was credible to buy a new truck on state credit one year and pay it off during the following year by selling the spare tyre (Ricciardi, 1991:261).

¹⁶ Named after its chief architect the economist Lance Taylor.

new cordoba (a certain proportion of any individual's money, over a certain limit, was retained out of circulation when they exchanged their old currency for the new).

- ii) Devaluation of the new cordoba in relation to the dollar, coupled with the elimination of the multiple exchange rate system.
- iii) Increases in the tariffs for electricity, fuel and water.
- iv) Decreases in state spending, compacting of the state's administrative apparatus and increases in taxation levels. (Acevedo, 1989:19)

The heterodox element was given by the fact that an attempt was made to overcome the inertial elements of inflation (i.e.. the inflationary expectations) via the fixing and control of prices in a campaign of 'popular' price control and the introduction of the new currency. This intention was contradicted by a number of factors. Firstly, as soon as the new currency was introduced it was devalued, which meant that the hoped for anti-inflationary impression of a 'new start' was lost. Furthermore, according to Acevedo (1989), the inflationary impact of the measures (that is of the currency devaluation and the increase in the prices of public utilities) was under-estimated and hence fixed prices were set at an unrealistic level, leading to the necessity of their swift modification. As the new currency was devalued, and fixed prices altered, the impression of a 'new start' was lost, and public confidence in the new measures fell, once again fuelling inflationary expectations and eventually leading to the abandonment of the programme of popular price control.

In response to the failure of the February measures, a more orthodox style of stabilization programme was initiated in June 1988. The February measures had at least tried to attach some importance to attempts to accelerate income redistribution and to the protection of the real value of wages within the fight against inflation. This intention was now abandoned as the overriding imperative became seen as the control of the money supply. The measures that were introduced in June included a further series of devaluations, the almost total elimination of any remaining forms of price control or subsidization, much stronger intervention in the parallel foreign exchange market, a further series of incentives to exporters, and a complete rethinking of credit and its repayment. (Ricciardi, 1991:264 and CAHI Update July 12th 1988: 1)

Once again the attempt to control inflation was contradicted by the need to reformulate relative prices. It was recognized that the struggle against inflation could only gradually be assumed once the correction of relative prices had been achieved. The adjustment programme was therefore reformulated to follow the logic of the following stages:

- A) the correction of relative prices,
- B) the control of inflation, and
- C) economic reactivation.

During 1988 the relative completion of the first of these stages was achieved, through a more realistic alignment of relative prices which began to reflect real production costs and the relative scarcity of goods and services. However, the openness of the Nicaraguan economy ensured a strong correlation between devaluation and inflation which continued in its spiral upwards and reached the incredible level of 36,000% in 1988 (Ubau, 1990).

The impact of such severe inflation, credit restrictions, and the imposition of positive interest rates, brought about profound recessionary effects. The value of exports in 1988 decreased markedly (\$236 million compared with \$295 million in 1987), demand in the domestic economy collapsed, and GNP fell by 8%. In addition the ratio of fiscal deficit to GNP, which it had been hoped to reduce substantially, instead reached the level of 25.8% (the incidence of Hurricane Joan had some effect upon this).

However, in 1989 the anti-inflationary stage was entered into fully. There was a drastic series of further spending and personnel cuts in the central administration, which, together with other measures, led to significant cuts in the fiscal deficit. Economic consultation and cooperation with the private sector was expanded via the pursuit of what was called 'concertacion'. This involved the frank exchange of opinions between the government and large private capital, and to a lesser degree the workforce and smaller producers. As a result, national commissions, committed to the expansion of particular commodities were set up, and the government expanded the provision of production incentives (INIES, 1989:27). In addition, the stabilization of the parallel exchange rate was facilitated, via the availability of liquid reserves made possible through cooperation with the Swedish government. A significant improvement in the inflationary situation was achieved although at 3,500% it was still at a dangerously high level. Finally, in combination with the stabilization of relative prices, the incentives offered to export producers at last began to induce increases in the production of certain agricultural products (see discussions in Chapter Six).

4.10 The Economic And Political Costs Of Stabilization:

4.10a. The Economy

In purely economic terms the programme had some success. By the end of 1989 inflation was under some semblance of control and the destabilizing effects of a severely distorted system of relative prices had been righted to a large degree. A slight reduction in the fiscal deficit had been achieved, and the beginnings of an improvement in the commercial deficit could be seen as exporters finally seemed to respond to the incentives provided to stimulate production (See Ubau, 1990).

However, there was also a high cost involved, even in purely economic terms. The improvement in the position of exporters had its counterpart in the collapse of basic grain production and the mainly internally oriented industrial production (INIES, 1989 and Lucas, 1989:12). This sector was faced with a contraction in internal demand and the escalation of its replacement costs due to the effects of exchange policy.¹⁷ This fall in domestic production led to increases in idle capacity and a fall in state taxation incomes, representative of the general decline into recession that characterized the whole domestic economy.

In addition, the oligopolistic nature of many sectors meant that the contraction of demand was not met by the desired increase in productivity, or the reduction of costs, but was passed on to consumers in the form of higher prices. Also the drastic effects on real wages meant that the already severely pressurized reproduction capacity of the workforce was further eroded, leading to migration to the informal sector.

One major area of concern that developed with the implementation of the adjustment programme was the need for greater clarification of the changed attitude of the government towards the relationship between the market and the use of instruments of planning. Although the limitations of state regulation had been recognized there was a rather incoherent position towards what, if any, the future role of planning in the accumulation process was envisaged to be.

The state's intention appears to have been to ameliorate the worst negative effects of price liberalization and demand contraction via the use of selective interventions. The problem was that it was never really made clear what the role of those policies should be (especially after June 1988). In effect government intervention seems to have been limited to the giving out of subsidized food packages, the cancellation of some campesino debts and the exemption of some small farmers from taxes (see *Envio* no. 104). Stahler-Sholk (1990) argued that this lack of coordinated action possibly represented an over-dimensioned reaction on the part of the government to the

¹⁷ The evolution of the exchange rate implicitly implied the devaluation of goods linked to the internal market in favour of export production. This lead Acevedo (1989) to describe the reform package as 'export cannibalism' as the weaker parts of the economy (salaried labour, industrial producers and basic grain producers) were effectively subsidizing the export sector to assure its profitability.

uncertain nature of state planning; suggesting the development of a somewhat uneasy relationship between an emerging faith in the 'magic of the market' and the political objectives of the revolution. Greater clarification was needed as to which areas of the economy should be run by market forces and which could still be subject to a modified state regulation.

Various commentators have suggested that a more appropriate strategy of stabilization and economic recovery should have emerged from the fact that state control still persisted over certain macro-economic instruments. The idea was put forward that these instruments could be used, with a class-based bias, to restore direction to the economic process and ameliorate the effects of price and salary liberalization, in accordance with the political commitments of the revolution. Thus, for example, the state control of commerce could permit the continued capture of exchange to support modified social spending and the prioritization of imports in pursuit of strategic objectives (for further discussion of these issues see Semillan, 1988, Lopez, 1988, Pilarte et al, 1988, Arana, 1989, Barahona, 1988a and Stahler-Sholk, 1990).

Intrinsically connected to this debate was a further criticism made of the programme; its lack of consideration to any long term development strategy. In common with all orthodox stabilization schemes the Nicaraguan programme was geared specifically to short-term stabilization. In contrast it has already been noted that the restoration of longer-term manageability to the external balance of the economy is dependent upon the processes of long term structural adjustment.

The recognition of the disequilibrating effects of state price regulation and the poorly organized expansionism of the first years of the revolution, (implicit in the rationale of all the reforms attempted since 1985), has tended to overshadow the role of the aggression, and particularly the structural problems of the economy, in propagating those same imbalances. As expressed by Barahona (1988a), the adjustment of relative prices and the short-term stabilization of the economy was a necessary, but not a sufficient, condition for overcoming the economic crisis and adjusting the external balance of the economy. He proposed the adoption of selective planning instruments to give priority to the revitalization of specific export crops as part of a longer-term strategy within the adjustment.¹⁸ This adds weight to criticisms developed of stabilization programmes elsewhere that question the sometimes exclusive importance attached to the attainment of short-term monetary equilibrium; which although achieving a level of economic stability, have done so at dangerously low levels of

¹⁸ He suggested commodities that embodied higher labour to capital ratios, with stable international prices and a greater concentration of smaller producers. The policies proposed included preferential credit treatment, attractive producer prices and the need to defend the minimum reproduction level of the workforce.

economic activity (reduced levels of GDP, reduced investment, increased unemployment and reduced capital utilization.)

The longer term implications of the 1989 measures can also be criticized for supplying incentives to the producers of traditional export commodities, without encouraging the shift towards products which might, in the medium and long term, provide better prospects for stable growth. Vilas (1989b) make the specific suggestion that attention could have been concentrated upon such commodities as wood, marine products and mining. These commodities embody a more traditional use of technology and have important forward and backward linkages to the domestic economy which could also be developed in the medium term. This would not involve the neglect of the production of traditional exports but rather its redimensioning. These discussions are seen by Vilas, however, as longer term and he does not question the necessity of the prior stabilization of relative prices and the priority given to the anti-inflationary struggle before a phase of reactivation can begin.

Stahler-Sholk (1990), on the other hand, stressed the need for a coherent strategy for the re-insertion of the economy into the world market-place, within the stabilization programme and not in a separate reactivation stage afterwards. In addition he particularly stressed that this productive strategy must be congruent with the necessities of preserving the dominant social alliance within the revolutionary forces, a requirement that attempts to stimulate production by private capitalist producers within the traditional agro-export sector did not fulfil.

Varela (1989) argued further that, in addition to promoting alternative export sectors more suited to the dynamics of the revolutionary process and with more attractive long term perspectives, the protection of domestic production was needed in order to help to cushion the negative effects on the labour force. He showed how the lack of a long-term strategy and the preoccupation with stimulating exports via progressive exchange-rate devaluation was putting the already severely disarticulated economy under even more intense pressure due to its negative impact on the domestic market. Along the lines of the same argument Acevedo (1989) pointed out that although short term policies are necessary to improve general efficiency they can have a severe effect on those productive sectors which for structural reasons cannot respond rapidly. He therefore urged for the definition of state intervention to be clarified (see above) and to include the formulation of medium-term sectoral policies dependent upon the structural, technical and social particulars of each sector. This leads onto a more specific discussion of the social impact of the reform package.

4.10b Socio-political concerns:

The negative social effects of orthodox stabilization programmes are renowned and the Nicaraguan experience has not been any exception. The implementation of the programme led to a pronounced deterioration in the quality and width of coverage of social services, 17,000 state workers were laid off (Monterey, 1989:1), there was a marked decrease in the value of real wages, an increase in the level of overt poverty and, in general, a pronounced downturn in the level of popular consumption (see Vilas, 1989a). The combination of which represented a serious attack on the fundamental social achievements of the revolution.

However, not all social groups were equally affected. This is explained by the fact that a policy of intense demand contraction signifies the transfer of resources from some sectors to others and hence a rapid process of negative income distribution (see Barahona, 1988a). This was viewed by the FSLN as an unavoidable cost of the programme, unavoidable due to the over-riding need to restore a viable equilibrium to the economy.

"The fact that there is an economic policy of incentives to the exporter, to the producer, can, with every justification be resented by the salaried worker who will ask himself, how is it possible that they give incentives to the producer but to the worker only a plea for conscientiousness and ideology? But the reality is that there is no other form of stimulating the producer whose actions are dependent upon economic incentives."

(From a speech by President Daniel Ortega on the announcement of the June 1988 economic reforms, quoted in Pilarte et al, 1988).

"This is a revolution of workers and campesinos and obviously the burden-primarily the problems and hardships will fall on them." (Cmdte. Victor Tirado, quoted in CAHI Update July 12th 1988)

This appeal for further sacrifices on the part of the workers and peasants and the pursuit of the confidence of the capitalist class did not go unopposed within the party. Sofia Montenegro wrote in a Barricada editorial;

"Let's not just talk about the private sector having confidence.... If there's a crisis of confidence here,... it's what the workers feel toward the producers.' In the last ten years, Montenegro reminded readers, it is the workers who have shouldered the burden while the large producers have received subsidies in terms of low interest credit and low cost imports, but have failed to return the favours. 'Where is their efficiency? Where is their reinvestment?'" (Envio, October 31st, 1988)

It could be suggested that the programme represented a final (temporary?) reversal to a traditional agro-export system, based upon the exploitation of the only comparative

advantage enjoyed by the economy, that of the cheap cost of labour. At least in the short term, the FSLN could not find a viable economic alternative that did not involve the high social costs of what effectively amounted to subsidizing the export sector via a sustained devaluation in the real value of wages.

Semillan's (1988) formulation of these issues in terms of the struggle between the competing forces of private accumulation and transformation, for control of the direction and nature of the mixed economy, provides a useful tool for understanding the political nature of the mixed economy in the transition process and the effects upon it of the adjustment programme. He characterized the adjustment programme as representing the reformulation of the original model of transformation, via the limiting of its transformatory actions to come within the margins of the 'competitive parameters of the market'. Although designed to give better conditions of profitability to the productive sector, the intention was not to reverse the structural changes that had been made in the economy. The state continued to control the macro-economic arena under which the new context of price and salary liberalization was to be defined. Thus, in this conception, the adjustment programme had a double intention, not only the administration and control of the crisis but also its utilization to renew the processes of transformation, growth and development.

As already indicated above, however, the immediate effects of the programme led to decreases in the level of popular consumption, increasing unemployment and the erosion of living standards, thereby eroding the political base and legitimacy of the forces of transformation. Despite this, the very same adjustment programme could have provided for the long term strengthening of the transformation process, via the righting of the debilitating imbalances that had grown in the original transformation project and the reformulation of a more viable model of long-term structural transformation. Nevertheless, that is not an automatic process and depends upon the correlation of strength of the two tendencies and the material conditions that sustain them.

In this context the accentuation of social differentiation inherent in the adjustment was part of a political gamble. The FSLN assumed that it could depend on the cooperation of the popular forces in the adjustment programme despite the costs involved.

However, to ensure the cooperation of the large exporters in the private sector and the economic success of the programme, economic incentives would have to be provided. Thus the gamble had two parts: a) that the programme would not involve the significant loss of popular support, and b) that the productive sector would respond favourably.

From the above it can be seen that the possibilities of sustaining the programme were

dependent not only on its socio-political impact but also on the perception that the different economic agents had of the scheme and its effects on their continued participation in the revolutionary process. The former was dependent on the adequate communication of the necessity for and objectives of the campaign. It was unfortunate for the FSLN that the 1988 measures were presented to the populace as an anti-inflationary and pro-export production package; when eventually it would be realized that before these two aims could be achieved it would be necessary to correct relative prices with heavily contradictory effects on both of the other objectives. This had the effect of leading the various economic actors to lose confidence in the possibilities of government policy achieving its objectives; and in those most adversely affected by the measures, a resentment of their suffering for the sake of a policy that had not met its objectives. This clearly had an important affect on the areas of traditional support for the FSLN. The poorest sectors of society, and above all the salaried workforce, found themselves suffering the brunt of the recessive effects of the programme with little offered by the government in terms of concrete results or selective actions to relieve the intensifying effects.

The result of this was that the accentuation of social differentiation began to deepen the questioning of the popular hegemony of the revolutionary project. Popular opposition began to grow against the attempts to constrain demand in the face of price liberalization and the lagging of salaries.

This discussion of the social costs and the criticisms made of the adjustment programme must lead us to question the viability of an inherently orthodox stabilization campaign within a revolutionary transition process. As expressed by Mark Wuyts (1989),

"Financial policies should be assessed in terms of their contribution (positive or negative) to the achievement of the political strategy pursued by the revolutionary forces".

This criterion can be used to question the state-led expansionist policies which, stemming from the political concept of national unity employed by the FSLN in the early years of the revolution, influenced the development of severely debilitating economic imbalances. However, it can also serve to cast doubt upon the policies of the stabilization programme that served to intensify the alienation of the popular sectors from the revolutionary process. The short-term stabilization of the economy should have been accompanied by a clearer reformulation of the long-term transformation strategy and the implementation of selective policies to both facilitate

those reformulated strategies and ameliorate the negative effects of stabilization. This implies a stabilization in the context of growth and not recession, and an adjustment that does not necessarily imply the generalized liberalization of the economy or at least makes the role of the macro-economic instruments maintained in the hands of the state a little clearer.

4.11 Concluding Remarks:

This discussion of the successes and failures of the adjustment campaign raises a number of questions. Was the high social cost of the programme the chief factor underlying the loss of confidence of the popular sectors in the revolutionary process? If so the questions to be addressed revolve around the economic and political measures that could have been employed to ameliorate the social effects of the adjustment and preserve the hegemony of the dominant social block, e.g.. heterodox anti-inflationary measures, selective policies targeting specific social sectors, reactivation of domestic production and more apparent medium-term sectoral economic planning. Wider questions also emerge concerning the nature of, and necessity for, stabilization and adjustment, the search for less recessive alternatives and the significance of monetary imbalances for socialist economies.

However, it has also been suggested that the alienation of the popular sectors lay deeper than this and that the problems stemmed from within the formulation of the original transformation strategy and the nature of the political alliances involved in the functioning of the mixed economy and the strategy of national unity. Gonzalez (1990) suggests that the alienation of the popular sectors arises from the fact that the dominant alliance, within the state, was made by the state bureaucracy with the bourgeoisie rather than with the salaried workforce and the peasantry. To support this interpretation one only has to outline the series of incentives offered to the bourgeoisie throughout the FSLN's period of office.

IHCA also suggest that misplaced alliances with the large private exporters lay behind the increasing alienation of the popular sectors (see Envio no. 104) In particular that this led to a more capital intensive strategy of transformation, with its associated dependence on imports, than was feasible, given the existant productive structure and employment needs. IHCA suggest that, given the external constraints imposed, when the limitations of the original model of transformation had been recognized it should have led to a more self-supporting transformation strategy. This could have been based upon promoting smaller-scale agro-export production and the participation of the smaller-scale industrial sectors in contrast to the eventual development of the

stabilization programme and the system of incentives to the large agro-export bourgeoisie.

In fact there had been a re-orientation of policy in favour of the small and medium agricultural producers in the years between 1985 and the implementation of the adjustment programme (see note.10) This sector had been one of the most adversely affected by the original transformation strategy and responded favourably to selected agricultural liberalization and the deepening of the agrarian reform. This response was, however, in the production of staples; the challenge was as suggested by Baumeister (1991:240) to transfer some of the dynamism of this productive response into agro-export production. As argued above, however, after the implementation of the adjustment programme in 1988, government policy sought accommodation with the traditional export bourgeoisie within the context of liberalization and incentives and the smaller producers found themselves facing an increasingly bleak future (see Stahler-Sholk, 1990).

As it stood then, the costs of the stabilization programme were too high. Coupled with the problems and errors of policy formulation that had exacerbated the growth of imbalances in the early years of the revolution, the acceleration of social differentiation caused by the programme finally broke the link between the FSLN and the sectors that it had traditionally represented.¹⁹

This discussion has highlighted many of the general issues concerning the recent problems of 'Peripheral' socialism which were discussed in Chapter Two. Although history has repeatedly shown the absolute necessity for 'financial responsibility' within socialist experiments in the periphery (see the introduction by Dudley Seers to Griffith-Jones, 1981), and more recently the debilitating imbalances induced by an over-stretching of the administrative capacity of the state, any programmes of liberalization will entail differential social impacts and problematize the nature of less state-centred socialist strategies. A new 'leaner' or 'fitter' socialist state, representing the changing interests of different social sectors and directly accountable to them, must still act to install direction to economic processes if it is to retain any credibility. How it is to do so represents the chief challenge for those still committed to socialism to

¹⁹ A fact that finally had to be recognized by the FSLN in the aftermath of the electoral defeat. It is also interesting to note that in Gould's (1990:295) reassessment of the reasons behind the success of the Nicaraguan revolution in 1979 he points to the role of the 'trade-people' (petty commodity producers and merchants) in the revolutionary coalition. These same sectors were those most adversely affected by the economic crisis of the 1980s and once again were pivotal in the articulation of opposition to a government they saw as inimical to their interests. Thus, in the 1980s the Contra were able to draw support from the peasant sector; whilst during the time that I spent in Managua the most vocal groups in opposition to the FSLN were the vast array of small traders found peddling whatever they could in the Mercado Oriental and the other markets of the capital.

address in the formulation of any challenge to the neo-liberal ideologues entrenching themselves in the comfort of 'the end of history'.

It would, however, be wrong to leave these issues at this point. This discussion of the costs involved in Nicaragua's stabilization programme, and the alternatives to it, has thus far treated the external aggression as 'given'. It goes without saying that the war waged against Sandinista Nicaragua by the US immeasurably accentuated the economic imbalances that had developed from the problems of policy formulation in the early years. The social costs of the stabilization programme were also intensely magnified by the continued drain of military spending and the lack of external resources that might have funded any attempts at ameliorating the negative effects of liberalization or investment in productive reorientation. This reinforces the earlier contention that it is impossible to separate any discussion of the Nicaraguan economy in the 1980s from the incidence upon it of the illegal military and economic aggression of the United States; which was a constant and debilitating factor over the whole period.

The discussions in this chapter have repeatedly stressed the problems caused to the FSLN by the heavy dependence of the economy upon the income from the agro-export sector and the political problems caused by the necessity of providing incentives to the capitalist producers in the sector. The following three chapters, therefore, build upon the general characterization of Nicaraguan economic policy detailed here, and the various interpretations which have been posited, to consider in more detail the specific case of the key agricultural export sector and the transformations which occurred within it during the course of the revolutionary period.

Agro-Exports, Industrialization and Development

This chapter, and the two chapters which follow, build upon the characterization of Nicaraguan economic policy detailed in Chapter Four to consider in more detail the specific case of the key agro-export sector. The present chapter sets discussions of Nicaragua's experiences in that sector within a theoretical and regional context, through a consideration of the wide-ranging literature concerning the particular problems brought by agro-export dependence in general terms, and a brief characterization of Central America's agro-export-led model of development, its specific problems, and future prospects. This then provides a framework for the detailed analysis of the evolution of agrarian policy toward, and the social and political transformations that occurred within, Nicaragua's agro-export sector during the revolutionary years, which is detailed in Chapters Six and Seven.

5.1 Central America's productive structure:¹

Nicaragua and the other countries of the Central American region can be characterized, within World Bank classifications, as lower-middle-income oil-importing economies (World Bank, 1990). However, they also share a particularly 'open' nature. This openness means that each country of the region exhibits a particularly acute degree of dependence upon trade per se (in terms of the ratio of exports to GDP). Tables 5.1 and 5.2 show figures for this export dependence ratio for Central America and compares them with World Bank averages in the former case and the other Latin American economies in the latter.

The tables show that the degree of export dependence in Central America increased markedly in the two decades following 1960, despite the high levels of economic growth in the 1960s and the continued processes of urbanization and the CACM (Central American Common Market) sponsored industrialization initiated during that period. More importantly, the figures also show that the Central American economies' reliance upon trade has been (except in the case of Guatemala) at a level significantly above the average figures for low-income countries, or oil-importing middle-income countries, in general and the individual Latin American economies

¹Since this chapter is concerned with the factors underlying the development of the regional crisis of the 1980's this brief discussion of the economic structure of the Central American Republics will, in most cases, utilize figures for the years before 1979, in order to avoid any distorting influences from the onset of the international recession during those years.

Table 5.1 Central America: Percentage Ratio of exports to GDP
(in dollars at current prices)

Country	1960	1979
Costa Rica	21	27
El Salvador	20	36
Guatemala	13	21
Honduras	22	38
Nicaragua	24	37
Panama	31	44
Low Income Countries (except China)	14	20
Oil Importing Middle Income Countries	14	18

Source: World Development Report 1981, Table 5, pp.142.

Table 5.2 Latin America: Percentage Ratio of Exports to GDP (in dollars at
constant 1970 prices.)

Country	1960	1970	1979
Argentina	6.9	6.6	8.4
Bolivia	14.5	15.3	13.6
Brazil	6.1	6.1	6.1
Colombia	9.2	8.2	8.7
Costa Rica	17.3	21.9	20.9
Chile	16.0	14.0	25.6
Ecuador	10.7	10.5	11.6
El Salvador	14.2	17.0	21.0
Guatemala	10.5	14.9	15.4
Haiti	12.6	9.4	7.2
Honduras	18.5	23.8	28.0
Mexico	7.3	6.1	8.2
Nicaragua	21.3	25.2	30.9
Panama	22.5	27.8	26.9
Paraguay	9.2	10.2	10.7
Peru	15.8	14.1	15.4
Dominican Republic	24.4	15.1	15.1
Uruguay	7.9	9.4	13.0
Venezuela	29.0	21.0	9.7
Average	10.0	9.0	9.3

Source: CEPAL, Statistical Yearbook for Latin America, 1980, Table 49, Page
116.

shown. Such economic openness has meant that the economic development of the region has been, "*not only export-led, (but)... also export determined*" (Bulmer-Thomas, 1988:122) to all intents and purposes, and strongly susceptible to the effects of changes in the international terms of trade and other fluctuations induced by the nature of international markets.

Alongside the accentuated importance of the export sector, the economies of the region are also particularly dependent, within their overall exports, upon a limited number of agricultural primary commodities. Table 5.3 shows the percentage structure of trade in 1988 for each of the Central American Economies. In none of the republics does the contribution of the primary sector to total exports fall below 60% and, of particular importance to our discussion, in the case of Nicaragua it is as high as 91% (Table 5.3). As will be seen below, it is this continued concentration of economic activity within the primary sector that has had a major effect upon the Central American experience of the international recession of the 1980s.

Probably of greater importance than the overall weight of the primary sector in total Central American exports is the concentration of production within a very limited number of products. Table 5.4 shows the contribution of the single most important export crop to overall exports for each of the Central American nations (as well as the combined weight of the two most important crops) for the years 1950, 1970 and 1977. These figures reveal that, despite some degree of diversification away from the traditional exports of coffee and bananas that had characterized each economy (except for Panama) before the Second World War, the dependence upon a limited number of primary products has remained high. The different percentage make-up of each country's exports (shown in Table 5.5) goes some way towards explaining their differential economic performance at different junctures within the region's history.

An overview of the economic experiences of the region in the present century supports this view, and emphasizes the effects of external 'shocks' (e.g. rapid changes in international commodity markets) upon the economic performance of the region. Periods of sustained and impressive economic growth, especially in the first decades after the Second World War, can be contrasted with periods of severe recession or stagnation. Although an analysis of external shocks and stimuli does provide an insight into the temporal variations in the region's economic performance, there are also a number of paradoxes. For example, one of the periods of most intense export growth in the region, the 1950's and 1960's, coincided not with a boom in the international prices of the most important commodities, but rather a sustained fall. Thus as expressed by Mark Lindenberg (1988:161);

Table 5.4: Relative Importance of Central America's Principal Export Crops (percentage of total exports)

Country	1950		1970		1977	
	major export	2 major exports	major export	2 major exports	major export	2 major exports
Costa Rica	58.7	91.8	36.1	52.1	45.5	61.0
El Salvador	90.4	92.5	52.9	63.1	62.8	71.4
Guatemala	66.9	76.6	34.7	44.0	43.6	55.9
Honduras	68.5	73.6	40.1	55.4	33.8	59.1
Nicaragua	50.3	55.5	19.1	37.1	32.6	56.9
Panama	nd	nd	57.6	80.2	21.3	30.7a

(a) Figures for Panama are for the year 1975.

Sources: Torres-Rivas and Aguilera (1986), p.37, DEC(1972), "Panama en Cifras 1967-1971," p.218 and DEC(1978), "Panama en Cifras 1973-1977," p.8.

Table 5.5: Percentage Contribution of Central America's Major Primary Products to each Country's Total Exports

	1961	1965	1970	1975	1961	1965	1970	1975
Country	Meat				Sugar			
Guatemala	1	2	4	3	1	2	3	24
El Salvador	-	-	-	-	1	1	3	15
Honduras	6	4	1	6	-	-	1	2
Nicaragua	8	5	15	2	4	4	6	11
Costa Rica	6	7	8	8	4	5	4	10
Panama	-	-	1	<1	-	-	5	18
Country	Coffee				Bananas			
Guatemala	59	49	35	26	12	1	7	5
El Salvador	61	51	50	36	-	-	-	-
Honduras	12	17	15	19	53	42	43	21
Nicaragua	25	17	18	13	<1	1	<1	2
Costa Rica	51	42	32	20	24	26	29	29
Panama	-	-	-	-	62	44	58	18
Country	Cotton				Oil derived produce			
Guatemala	9	18	9	12	-	-	-	-
El Salvador	18	20	10	14	-	-	-	-
Honduras	<1	5	1	2	-	-	-	-
Nicaragua	26	44	19	26	-	-	-	-
Costa Rica	-	-	-	-	-	-	-	-
Panama	-	-	-	-	-	34	23	46

Source: Authors own calculations based upon figures from Gallardo and Lopez (1986), p.90-92, BID/INTAL (1973), Vol.2 (Annex1), p.40-42, DEC (1972), p.218 and DEC (1978), p.8.

"While the Central American economies are highly sensitive to fluctuations in the world economy, they are hardly prisoners whose future is totally determined by that economy. In fact they have demonstrated a considerable resilience in the selection of products and strategies to respond to opportunities presented by the world economy. Their pace of growth has often exceeded the overall pace of the world economy."

Lindenberg is right to suggest that the Central American economies do have some leeway in making domestic policy decisions, but it cannot be doubted that economies so severely dependent on the export sector, and a few chiefly agricultural products in particular, face some particularly acute developmental problems. There is in fact a well developed theoretical literature in the field of development economics dealing with precisely these problems. This literature is discussed below through a consideration of the challenges and constraints imposed upon developing countries by their historical insertion into the international economy via the development of primary commodity exports and the effects of the continued dependence of many such countries upon the fruits of such trade.

5.2 Agro-exports, Industrialization and Development:

In common with many other regions of the developing world Central America's insertion into the international economic system as suppliers of agricultural raw materials came about with the rapid expansion of world trade at the end of the last century. Despite efforts to diversify production into other economic sectors and embark upon processes of industrialization, many developing countries remain economically dependent on their involvement in the primary commodity trade.

5.2a Theoretical Debates about Agro-Export-Led Development Strategies:

Academic debate concerning this orientation toward agro-export production can be characterized at its most simple level as a polarized struggle between two opposing positions;

Firstly, there is the traditional 'orthodox' argument for free trade which historically has endorsed those economic strategies designed to rapidly expand agro-export production. The rationale behind this position is that pro-export strategies are said to represent the most advantageous way for small peripheral economies to involve themselves in international trade and exploit any comparative advantages that they may possess (Meier, 1980:chapter2). This argument is particularly cogent for

relatively small economies with severely restricted domestic markets (such as the Central American Republics) within which the capacity for realizing the advantages of scale and scope are severely constrained. Such countries must acquire many of the capital goods and key inputs needed for economic development through importing; this requires substantial foreign exchange (Helleiner, 1992:62). Under such conditions the most appropriate strategy for successful economic development, it is argued, will reflect the most advantageous engagement in international trade (that is, in the case of the majority of poorer developing countries, agro-export production).

On the other hand, an alternative position (largely reflecting 'structuralist' perspectives on economic development and the importance of foreign exchange constraints) represents the view that export-led development strategies, dictated by perceived international comparative advantages, have distorted the possibilities open for balanced economic growth, and laid developing countries dangerously open to the dictates of a volatile and largely disadvantageous international economic system. Such generalized characterizations as these obviously simplify what are complex and inter-related debates, but they do provide a useful starting point from which to assess the most important issues.

5.2b The Case for Agro-Export-Led Models:

The defence of agro-export-led models of economic development largely rests upon the international elements of neoclassical economic theory. Within such theory international markets are modelled as if they were perfectly competitive and the exploitation of comparative advantages then associated with the achievement of optimum levels of resource allocation, and hence the best opportunities for economic growth. Thus, it is argued that, the most effective route to a sustained process of economic growth can be said to occur through specialization in the production of those commodities for which each country's costs are comparatively lowest (in the case of small peripheral economies such as the Central American Republics this means the exploitation of cheap labour, abundant or cheap land, and/or high quality soils). It is argued further that agro-export-led growth brings other advantages such as; the creation of economic returns through the "venting of surplus" from trade, that is the development of previously under- or un-utilized production factors (see Meier, 1980:297), the dynamic effects of specialization, economies of scale, the maximization of investible surplus and the attraction of foreign factors of production (See Maxwell and Fernando, 1989:1679).

In particular it is claimed that a dominant agro-export sector contributes to national growth levels through its production and consumption-related linkages to other areas of the economy, where it has a dynamizing reaction in the linked sectors, which then presents opportunities for diversification in the export sector itself. Defenders of this case for outward-oriented development strategies point to evidence from analyses of the experiences of developing countries which suggest that those countries which have pursued export-led development strategies have performed significantly more favourably than those that have not. Myint (1984:222) for example states that

*"countries that expanded their exports have also tended to enjoy rapid economic development, and significant correlations have been found between the growth of exports and the growth of national income among the underdeveloped countries, by cross-section studies; by time-series studies; or by a combination of both methods."*²

In summary, the basic arguments for specialization in agro-export production can be outlined through the following points (modified from Todaro, 1989:383-384):

- a) It is argued that the pursuit of economic policies designed to expand export production according to comparative advantages (in the case of developing countries- agro-exports) enlarges each nation's consumption capacities, increases world output, and provides access to scarce resources and worldwide markets, without which 'poorer countries' would be unable to develop their economies.
- b) The Neo-Classical theory of trade also suggests that specialization in agro-export production and increasing engagement in international trade by developing countries promotes greater international and domestic equality because it tends to equalize international factor prices, raise real incomes and makes the most efficient use of each country's resource endowments.³
- c) Specialization in agro-export production is also said to aid the development process by promoting and rewarding those sectors of the economy which enjoy

²This finding relates to countries that have developed exports per se and not just the development of agricultural exports. Evidence in fact suggests that the most successful developing countries exhibit both relatively open and relatively closed trade policies and have specialized production in many different areas. However, it cannot be doubted that models of agro-export-led development have proved in the past to be at least one valid path to development (Taylor, 1986:31). The pertinent questions would appear to be how have some developing countries escaped from their dependence on agricultural exports to enter other markets and are such experiences replicable? These issues are considered below.

³It is argued for example that engagement in free trade will contribute towards international equity and the diversification of developing country production into more 'lucrative' sectors, through the raising of relative wages in their relatively labour abundant economies and the lowering of them in richer relatively labour-scarce countries (see Meier, 1980:36).

international comparative advantages. Thus, it is argued that any individual country's welfare will be maximized by allowing international prices and relative costs of production to determine the relative product mix within the economy.

The dictates of this neoclassical advocacy of free trade played a crucial role in the development of academic thought and economic policies regarding trade and development, and encouraged developing countries to pursue economic growth strategies through the development of labour- (and/or land-) intensive primary commodities for export to the West. The growing earnings from these endeavours, it was argued, could then be exchanged for the manufactured goods that 'developed' countries were "more suited" to produce. However, it should not be forgotten that the postulated benefits of free trade for developing countries also corresponded closely to the needs of the industrial powers for cheap primary commodities to fuel their drive to industrialization and the opening of new markets for that industrial production.⁴

5.2c The Case Against Agro-Export-Led Models:

The experiences of developing countries under agriculturally based export-led strategies has cast doubt on some of the tenets of the arguments for such models outlined above, not least due to the social and political implications of such policies. In some cases, nigh on one hundred years of engagement in various cycles of agro-export expansion appears to have produced very little in the way of diversification into other activities, nor the basis for sustainable economic growth and social development. After the Latin American experiences of the World Depression of the 1930's, economists from the region began to lay the foundations of a critique of export-led development strategies and, within the development of the structuralist school of economic thought, to formulate alternative premises for the types of economic policy likely to lead to long-term sustainable economic development. The case against the traditional comparative advantage-based models of export-led growth rests on a number of propositions. Firstly, it is pointed out that comparative advantages are not simply 'given,' but are created as the historical legacy of previous investment (often colonial) in such areas as infrastructure and research,

⁴These markets invariably consisted of those elite sectors in a position to exploit the natural resource base of the country and consolidate their dominant position, see Todaro, 1989:380). Using the Central American experience as a case in point it cannot be doubted that the rapid expansion in production of a handful of agro-export commodities during the twentieth century has at times been a lucrative activity. Whether it has provided a viable base for the development of a sustainable economic system, however, remains open to question.

and also reflect current and constantly changing incentives and wage rates (Maxwell and Fernando, 1989:1679).⁵ Thus, comparative advantages are not set in stone but are changeable and malleable and their exploitation is dependent upon the development of productive capacities, which in themselves may involve substantial costs, thereby reducing potential benefits.

Furthermore, agro-export markets and hence comparative advantages, are notoriously volatile and it is suggested that their price instability is increasing both relative to that of manufactured goods and overall (Maizels, 1992).⁶ It can also be argued that the orientation of developing economies towards the primary sector entails significant opportunity costs. This is because primary commodity production offers much less in the way of economies of scale, specialization and learning, than a similar concentration of economic activity in alternative sectors. In terms of international trade theory it is argued that, in effect, relative factor endowments and comparative costs are often

"determined by, rather than themselves determining, the nature and character of international specialization.....this means that any unequal resource endowments will tend to be reinforced and exacerbated by the very trade that these differing resource endowments were supposed to justify." (Todaro, 1989:385).

Thus, once inserted into the international economy as a supplier of primary commodities, a nation may find that, rather than the creation of a suitable environment for enhanced economic growth, they have perpetuated a comparative advantage in economic activities which have unfavourable long-term prospects. Doubts have also been raised over whether the surpluses earned from agro-export production have, in reality, contributed to increasing levels of domestic investment, or whether linkages have developed to stimulate balanced growth in other sectors of the economy. Surpluses earned in the export sector can of course be transferred abroad via the operations of the international corporations active in the sector,⁷ used to finance luxury consumption by elites, or public consumption by governments. Whether surpluses would be put to more productive use if development were to be centred on alternative economic sectors is nonetheless open to question. It is, generally thought, however, that agricultural production demonstrates fewer

⁵ Although it should also be noted that the development of more dynamic models of neo-classical trade theory do attempt to take this into account.

⁶ The problems of price instability are dealt with excellently by Maizels (1992)

⁷ Maxwell and Fernando (1989) for example refer to an UNCTAD study on the oligopolistic structure of many agricultural markets. In 1980 between 3 and 6 of the largest international corporations controlled; 85-90% of global trade in coffee, cotton and tobacco, 85% of cocoa and 70-75% of bananas.

linkages than alternative types of productive activity (although export crops may exhibit more production links than domestic-use agriculture).

A further problem alluded to in much of the literature is that over-concentration of production in the export sector is said to have had a negative effect on domestic food production which has often found itself discriminated against.⁸ This is the central concern of the 'Food First' school (see Lappe and Collins, 1977 or 1986) who have launched a trenchant assault on agro-export production; seeing such strategies as a key enemy of food security and hence a major contributor to poverty and hunger. They point to the unequal competition for access to the best agricultural land and for labour power between the modernizing export sector (and the political and economic power associated with it) and predominantly peasant-based basic food production. Under the influence of this school, the agro-export model has been contrasted with a hypothetical pro-peasant and largely self-sufficient development strategy. Such a strategy, it is argued, would embody desirable employment creation, national self-sufficiency, and a reduction in external openness, as well as a more equitable distribution of resources. As Fitzgerald (1989:3) points out, however, any such model of accumulation geared toward improving the provision of basic needs, would still require foreign exchange to finance itself, and the only viable means that many developing countries have of earning this exchange continues to be through the further modernization of the agro-export sector.

Probably the most well-known argument against the viability of agro-export development strategies, however, is the claim that the prices of agricultural commodities have exhibited a sustained decline, relative to those for the manufactured and capital goods for which they must be exchanged. This implies that industrial nations are able to retain the whole benefit of the technological development of their industries, whilst those poorer countries, attempting to develop their economies through specialization in agro-export production, are basically transferring a proportion of the fruits of their economic progress to the industrial nations, because of the steady decline in the relative prices of agricultural and industrial goods (Edwards, 1985:55).⁹ Such an argument underlay the ECLA's

⁸Although as pointed out by Maxwell and Fernando (1989:1680) export crops themselves have often faced price discrimination when governments have protected food prices in order to gain self-sufficiency.

⁹Other authors, chiefly in the dependency school, have taken this argument a stage further. Rather than arguing (like Prebisch and the ECLA) that the reason for declining terms of trade and the appropriation of economic surplus from the periphery by the industrialized core nations lies in the relative income elasticity of demand for agricultural and manufactured goods, they suggest that underdevelopment is perpetuated in the periphery by the differential costs of labour between it and the core. Thus, for Emmanuel (1972), notably amongst others, the periphery suffers from 'unequal exchange' due to the weak bargaining position of all of its workers (not just those in the primary sector). Wage costs are therefore considered always to be lower in the periphery (even after taking into

(Economic Commission for Latin America) adoption of an alternative policy to agro-export specialization, namely, industrialization via import substitution (ISI). This reflected the view that resources would need to be transferred out of agriculture and into industrialization if economic growth was to be viable (see Bernal et al, 1980, Villarreal, 1986: 127-180 or Rojas, 1991). ECLA, and in particular Raul Prebisch, argued, therefore, that Latin American economies needed to industrialize (in those sectors where demand was previously met through imports) behind high protective barriers, which would enable their emerging industries to achieve competitiveness. Great stress was also laid upon the directive role of the state within such a strategy and the need for regional integration to enable the necessary economies of scale for such Inward-Oriented strategies to be viable (O'Brien, 1985:10). Since the classic works on this issue by Raul Prebisch and Hans Singer the 'Terms of Trade' argument has been the subject of intense controversy with claim and counter-claim regarding its validity and significance (see Edwards, 1985: chapter 4).¹⁰

5.3 The International Commodity Markets:

Many of the debates about agro-export specialization have centred upon the exact nature of those factors affecting demand and supply in the international primary commodity markets. First of all, it can be argued convincingly that both the income elasticity of demand and the price elasticity of demand for most agricultural food products and raw materials are relatively low in comparison with manufactured goods and fuels. This means, in the former case, that even sustained growth in per capita income levels in Western markets will not lead to more than a modest increase in world demand, and in the latter case, that sustained falls in the relative prices of agricultural commodities are not likely to significantly enhance world demand. This last factor has played a key role in producing sustained losses of revenue for primary commodity exporters under the depressed market conditions which existed

account lower productivity) with the resultant decline in the gains to be made from engagement in trade. The question then arises as to whether the relative underdevelopment of the periphery is in fact due to the unequal operations of free trade or is instead due to either the core's monopolization of trade or factor immobility.

¹⁰As well as developing policies geared to diversify developing economies out of their dependence upon primary production, structuralists also headed attempts to improve the situation of exporters in the primary commodity markets through North-South negotiations. These were mostly handled through UNCTAD (The UN Conference on Trade and Development) of which Prebisch was the first general-secretary. These attempts largely failed, not least due to growing Western interests in the agricultural sector. No agreement, for instance, was reached on how to develop buffer stocks as a measure against price fluctuations in the sector. Internal differences of opinion amongst exporters meant that Commodity Agreements also failed to substantially improve the position of agricultural exporters.

in the 1980's (Singer, 1950 and Todaro, 1989:431-432). In addition, in recent decades, particular commodities have faced declining demand curves, due to the development of synthetic substitutes and new technologies embodying declining consumption of agricultural raw materials per unit of industrial production. Such factors suggest that the international market for primary commodities does not offer substantial grounds for the neo-classicals' claims regarding the economic gains to be made from specialization.

Other arguments have been raised which, rather than questioning the validity of neo-classical theories of international trade, instead argue from within such perspectives that developing countries have in fact, during recent years, been losing their traditional comparative advantage in the primary sector.

"Some Third World countries are losing their traditional comparative advantage in primary production mainly because of rapid technological advances in, and subsidies to, the developed countries agriculture. World trade in agricultural commodities is increasingly dominated by developed countries to the extent that some underdeveloped countries who used to be net exporters of food have now become net importers." (Kay, 1989:215-216).

Thus, those developing countries still intensely dependent on primary commodity trade, find themselves heavily committed to economic activities which, in certain cases, are rapidly becoming unviable, whilst there is an emerging group of countries that have been able to develop comparative advantages in the production of goods in certain manufacturing sectors.

5.4 Commodity Production and Industrialization Strategies:

The arguments associated with the declining terms of trade theory have taken a particular beating over the last two decades, mainly due to the apparent collapse of ISI as a viable policy framework. This does not necessarily mean that the terms of trade phenomenon is any less valid, simply that it may not logically lead to the necessity of the adoption of ISI policies, rather than those encouraging a more outward looking orientation. Nonetheless, as argued in Kay (1989:222-223), the debate sparked by the terms of trade controversy and ECLA's advocacy of ISI as a policy alternative, did at least lead to the reformulation of the debate over policy and economic growth. When the case for ISI was first developed, debate had been centred around an apparently simple choice between continued specialization in primary commodity production according to comparative advantages or state-led

industrialization. The arguments for industrialization won that debate, although the advocates of agro-export specialization always claimed that their export-led strategies would form the foundations for future growth and diversification. Today the nature of the debate has changed fundamentally with arguments now centring upon whether developing countries' strategies for industrialization should be 'liberal' and export-oriented or follow a more state-led ISI strategy. It is to such issues that we now turn.

Evidence suggests that the experiences of the handful of successfully industrializing developing countries (The South-East Asian Tigers) appear to owe more to aggressive engagement in international trade than to the development of their domestic markets through any engagement in ISI. However, it should be noted that their experiences differ markedly, some having based their development of manufactured exports upon a previously completed ISI stage and most, moreover, exhibiting a large degree of, admittedly selective and flexible, state intervention. Thus, their example does not necessarily offer a *carte blanche* for economic liberalization and free trade (see Schmitz, 1984:1-20). More importantly, moreover, market conditions in the early 1990s do not look particularly favourable for a large-scale replication of that particular miracle, despite the recently agreed world trade deal. In any event, the problem with export-oriented industrialization strategies is that, if they were to be actively embraced by most developing countries at the same time, the likely results would be a sustained fall in the prices of goods in the sectors entered, and a further expansion of protectionist measures against such exports from the West.

Despite such qualifications, and the claims by some that the prescriptions for ISI were never followed to the extent that they could have been said to have been tried and found wanting (see Villarreal, 1986:169-177), even the ECLA itself now states that "*changing production patterns with equity must be achieved within the context of greater economic competitiveness*," and it generally has little notable disagreement with the IMF and World Bank sponsored programmes of trade liberalization (quoted in Zuvekas, 1992:137). Advocates of purely inward-oriented development strategies are few and far between in the early 1990's.

5.5 Commodities in Crisis: The Collapse of the 1980s:

Whatever the evidence for the relative terms of trade between agricultural exports and manufactured exports, or between developing and developed countries, during

the twentieth century,¹¹ there can be little doubt that the 1980's has seen a severe collapse in the prices of many agricultural commodities. It should, however, be noted that some commodities have been affected much more severely than others (see discussions on Nicaragua's major commodities in Chapters 6 and 7). Maizels (1992:9-13) shows how a gentle downward trend in the prices of non-oil commodities during the decades leading up to the late 1970's accelerated markedly during the 1980's, except for a brief recovery in the 1983-4 and 1988-89 periods (see Table 5.6). Using the three most widely consulted price indices (UNCTAD, the World Bank and the IMF) he records a fall of some 35% in real terms between 1979-80 and 1986-88, and notes that the 1980's commodity price collapse was even more severe and prolonged than that of the great depression of the 1930's. The magnitude of the price collapse of the 1980's has, therefore, intensely magnified the problems faced by those countries still dependent upon primary exports and was a major contributory factor to the acceleration of the debt crisis.¹²

In response to the increasing crisis facing developing economies in the 1980's and under the influence of a resurgence of neoliberal approaches to development and the reassertion of neoclassical economics (see the discussions with regard to Latin America in Chapter Two as well as Toye, 1987 and Colclough and Manor, 1991) the international financial institutions have devoted their attention to the pursuit of policies designed to enhance free trade and increase the efficiency of developing countries' engagement in international markets. The problem with the advocacy of such policies under the market conditions of the 1980's is that they have simply added to the downward pressure on commodity prices, as developing countries, seeking to capitalize on their comparative advantages, have increased world supply. This argument is summarized by Maizels (1992:16-17);

"In most developing countries, the prime force behind the expansion in commodity output and exports since the early 1980's has been the severe foreign exchange squeeze they suffered as a result (in part) of the collapse in commodity export prices.....The stabilization and adjustment policies of the majority of developing countries- mostly as conditions for IMF and World Bank support- have almost always included a depreciation of the currency, among other measures, to promote exports

¹¹ Spraos (1983), quoted in Maxwell and Fernando (1989:1681), calculates "employment corrected double factorial terms of trade" and concludes that the terms of trade of developing country agricultural exports do show a declining secular trend of between 2% and 3.5% when calculated for different definitions and time periods. The whole debate between Prebisch and Singer and their neo-classical critics, as well as the development of the Unequal exchange school are covered in Hunt (1989:chapter 5), Edwards (1985) and Evans (1987).

¹² Although as noted by Lal Jayawardena, in the introduction to Maizels book, the role played by the collapse of commodity prices in the propagation of economic crises in large parts of the developing world has often been overlooked or downplayed (Maizels, 1992:v).

TABLE 5.6: TRENDS IN THE COMMODITY TERMS OF TRADE
1958-60 TO 1986-88^a (indices: 1958-60 equals 100)

	1958-60	1968-70	1978-80	1986-88
Non-Oil Commodities				
a) UNCTAD (b,f)	100	93	92	62
b) World Bank (c,f)	100	97	90	58
c) IMF (d,g)	100	95	91	61
Petroleum (e)	100	70	390	211
a) Annual averages. b) 39 commodities. c) 33 commodities. d) 34 commodities. e) Average OPEC price (World Bank index). f) Weighted by value of exports from developing countries in 1979-81. g) Weighted by value of world exports in 1980.				

SOURCE: Maizels (1992), Table 1.1, page 10.

and contract domestic demand. However, while this type of stabilization package may improve the balance of payments position of an individual country, whose expansion of commodity exports is too small to influence the world price, similar policies applied to a wide range of countries simultaneously- as was the case for many commodities in the 1980's- are likely to result in an export increase which will only add to the depressive forces in world commodity markets."

Maizels backs up this argument against IMF policy by quoting from an empirical study in Gilbert (1989:773-84) where a regression analysis revealed a statistically significant relationship between the size of the debt burden of producer countries and changes in commodity prices.

Overall, then, the outlook for commodity market trends is not encouraging. A World Bank projection carried out in 1988 estimated a decline in real commodity prices of 23% between 1985 and 1990, followed by a 5% rise to 1995, and further stagnation at that level to the turn of the century. These estimates would mean that commodity prices in the year 2000 would be at around 60% of their 1980 level (Maizels, 1992:20-21).

5.6 Socio-Political Factors:

The discussion up to this point has concentrated mainly upon the market conditions facing primary commodity exporters. There are also a number of other arguments concerning the problems created by agro-export-led strategies which are less 'market'-related and more concerned with their effects upon socio-economic structures. In particular, it has been suggested that, historically, the growth of the agro-export sector under colonial domination, or externally-supported elites, according to the dictates of the international market, has tended to "fix" the economic structures of many developing nations into a particular mould. The specialization of production within a few traditional commodities entails the development of particular social formations, political systems and physical infrastructure. When the external conditions change, and the traditional agricultural exports are no longer so profitable, such structural factors inhibit a rapid shift of production to either offset losses or exploit changing comparative advantages. This type of problem is most likely to occur where linkages with the rest of the economy are low and where export production is superimposed upon a pre-existing subsistence economy. Maxwell and Fernando (1989:1681) argue that this could be combated by state intervention to deliberately create linkages to the rest of the economy and the use of the surpluses generated by the agro-export sector to

encourage diversification.

Connected to this argument is one alluded to earlier, namely that the pursuit of agro-export production as a route to growth has tended to be associated with rising income inequality, the abuse of political and military power, and the monopoly of economic opportunities by a small elite. The argument, however, should not be that export-led development causes initial maldistribution, but rather that "(it acts) *as a mechanism whereby initial disparities are worsened*" (Maxwell and Fernando, 1989:1683). Thus, agro-export dominance is associated not only with the fact that only those already well favoured can take advantage of the opportunities it is said to embody, but also that it enhances processes of social differentiation. Continued growth in agro-export production is said to have tended to reinforce inequitable political and economic structures. Overall, therefore, the majority view in the literature appears to suggest an association between maldistribution and agro-export-led development strategies. On occasion such strategies can benefit poorer groups in society,¹³ but there is sufficient evidence to suggest that, on the whole, the development of agro-export-led development strategies can be seen as mechanisms whereby inequalities are exacerbated. Such contentions, however, should more correctly be seen as relating to questions of the mode of production and not the composition of production. Other forms of development strategy, given inherited social structures, could also lead to similar increases in income inequality and concentrations of property ownership. Thus, Brenner's argument in relation to Latin America is that it was the class structure through which export production was carried out (based on ultra-exploitation/methods of absolute surplus labour) which determined that increasing export production would lead to underdevelopment rather than development rather than the pursuit of export-based strategies per se (from Kay, 1989:205-206).¹⁴

The foregoing discussion highlights what is probably the major problem facing commodity-dependent developing economies. This is that, even in purely economic terms, there are many obstacles to the likelihood of engagement in commodity trade continuing to provide a sustainable route to economic development, and yet there

¹³Maxwell and Fernando (1989:1685) point to a growing body of literature at the household level which claims that the development of agro-export production, especially via contract-farming, has brought benefits to disadvantaged groups.

¹⁴Discussions of the historical development of the export sector in Nicaragua appear to back up this argument, through the different dynamics of the evolution of the coffee, cotton and sugar sectors. Whilst the coffee sector was characterized by its evolution on the large pre-capitalist haciendas and other commercial farms it has also allowed for the development of important smallholder production. In contrast the cotton, and especially the sugar, sectors have been characterized by greater levels of proletarianization and much larger average farm size.

appears to be a debilitating shortage of alternative models that could be pursued. Faced with declining or stagnant demand for their traditional exports those countries still heavily dependent upon agro-export production need, in the long-term, to diversify their productive structure into the processing of commodities and industrial sectors. However, as has been shown above, such a transformation entails many problems. These include; the structural orientation of economies and social formations around the traditional export activities, the obstacles to industrialization, the effects and control of technological change and the problems of protectionist barriers. In addition, any attempts to adjust the economic structure away from the agro-export sector will be dependent on continued earnings from that sector for at least some of the necessary financing of adjustment processes. This must take place in the context of "a foreign exchange squeeze" imposed by erratic export earnings from the commodity sector and continued high debt repayments. It is therefore crucial that the means to enhance commodity earnings in the short- and medium-term are found, if any adjustment processes are to be viable (see Jayawardena in Maizels, 1992:v-vi). Unfortunately, however,

"Successful export diversification is unlikely to arise in conditions of severe and prolonged external payments difficulties without appropriate and adequate support from national policies and from the international economic environment- which implies that the developed countries and the international financial agencies also have a major role to play." (Maizels, 1992:241).

5.7 Some Concluding remarks:

Returning to our original dichotomy between pro- and anti-agro-export-led strategies it is clear that neither is satisfactory. The apparent association between agro-exports and irreversible shifts in distribution, the possible long-term costs incurred in the pursuit of short-term comparative advantage, the bleak long-term future for many traditional commodity markets, and the depressed nature of most commodity markets in the 1980s, question the desirability of unchecked growth in agro-export production. On the other hand, however, for many small developing countries the agro-export sector will continue to be the only viable means to maximize income in the short-term and generate economic surpluses in the long-term.

One particular point stressed by Maxwell and Fernando (1989) is that it is a fallacy to associate agro-export based strategies necessarily with large-scale and capital intensive production forms, as has often been the case in the 'Food First' literature.

strategic economic aim of encouraging diversification into industry and creating the foundations for sustained economic growth, or the pursuit of equality and social development.

In Central America the insertion of the countries of the region into the international division of labour as primary exporters evolved through the inherited colonial structures and pre-existing systems of political power (see the discussions of the evolution of the agro-export model in Nicaragua outlined in Chapter Three). The heavily skewed nature of the society that has evolved under the agro-export system has effectively ruled out the medium-term development of the domestic markets of the region and condemned the majority of the region's population to economic marginalization. The question, therefore, arises as to whether the dominance of agro-exports is intrinsically counter-productive to the pursuit of equitable or balanced development in the region? If so, then the future for the region appears to be bleak, since one of the few areas of consensus amongst the diverse commentators upon the economic prospects for the region, is that the agro-export sector will continue to dominate the economies of the region for more than the foreseeable future (see Bulmer-Thomas, 1987 and 1992, Pelupessey and Weeks, 1993, Pelupessey, 1991, Irvin and Holland, 1988, Gallardo, 1993, ISS, 1988, Zuvekas, 1992, De La Ossa and Alonso, 1990, Lopez, 1989, Irvin, 1991, Diaz-Bonilla, 1990, Paus, 1989, Kaimowitz, 1992 and Vuskovic, 1992).

However, as was suggested in the general discussion above, it is not really correct to assign the causal power for the economic problems of the region to the activity of exporting primary commodities in itself. It is rather the social organization of production embodied in the model of the agro-export economy that has evolved in the Central American region and the distribution of the surplus generated that must be examined. As expressed by Zuvekas (1992:144);

"Export-led growth per se does not inherently produce an inequitable pattern of economic growth. The distribution of income is determined more by who controls the levers of export-led growth, or of any other growth strategy. In this regard, a strategy of export diversification is attractive because it broadens not only the range of products but also the range of producers."

Bulmer-Thomas (1987:267) provides a succinct summary of the nature of the agro-export model of development which has been pursued in Central America;

"Central America has pursued since 1920 (and even earlier) an export-led model but the latter has passed through five phases each of which has carried different implications for economic and social relations. The theory of export-led growth is based on a number of assumptions, which have not

been generally applicable to Central America; thus the non-export economy has failed to match the sometimes spectacular performance of the export sector, leaving the region with an overemphasis on external trade and very vulnerable to fluctuations in world commodity and capital markets. In addition, the weakness of the non-export sector has left the pressure groups associated with the export sector in a dominant position and capable of affecting policies in a way which reinforces the export-led model."

He also suggests, however, that the differing historical experiences of the Republics provides for the hope that, within a redefinition of this agro-export model, there is scope for social reform and diversification, especially if new non-traditional staple products, embodying less perverse productive relations and new interest groups, are allowed to develop (Fitzgerald, 1989:3-4). It is interesting to note, therefore, that the experiences of the economic crisis have begun to see a diversification in the economic trajectories of the countries of the region as they have responded to the challenges they face in different ways. As argued by Gallardo (1993:143).

"The five Central American Republics have shared historically not only the links derived from their geographical proximity, but a similar pattern of economic development: an export-led growth model in its different phases and variants. Although the model was not identically implemented in the five countries, the crisis at the beginning of the eighties proved damaging to all. In the aftermath of the crisis and the implementation of adjustment programmes designed to confront major balance of payments problems, the five countries presented increasingly different profiles."

Other commentators are less sanguine regarding the possibilities for transforming the model. Weeks (1985:32) for example, argues that the inadequacies and contradictions of the agro-export economy in Central America stem from the fact that agricultural modernization and economic development have been carried out within a social system still largely dominated by non-capitalist social relations of production. He argues that it is due to this that the state has continually had to resort to the repression of labour to ensure the profitability of the agro-export sector and that any changes in the products exported would, given the political systems dominant in the region, be founded upon the same basis.¹⁵

The major issue to be confronted is that the agro-export model has failed to provide adequate living standards for the vast majority of Central Americans throughout its

¹⁵ The discussion of the development of capitalism in Nicaragua in Chapter Three questions the overall validity of Weeks's analysis in that whilst certain parts of the export sector can be characterized as having been developed on the basis of the maintenance of pre-capitalist relations on the large estates, others, sugar, bananas and cotton in particular, have induced a relatively rapid commodification of labour, whilst others, notably coffee, have included large numbers of small and medium-scale producers.

history, but has managed to monopolize its hold on political power. By the end of the 1970's this was no longer the case, as decades of the consecutive expansion of different commodities gave way to the crisis of the 1980's. This crisis had both economic and political dimensions. The international recession of that period severely exposed the fragility of the agro-export led model and the region degenerated into sustained economic decline; whilst the previously excluded classes of the region began to articulate demands for political change in several of the Republics, of which the successful Nicaraguan revolution was one part.

The evolution of the economic crisis related to the worldwide collapse in demand for the major traditional commodities of the region (the composition of which were outlined earlier in this chapter in Table 5.5) as well as the increasing protectionism of the major Western markets. The nature of the Central American economies meant that it proved difficult to diversify into other commodities to assuage the demand-induced problems and, in general terms, the dependency upon the afflicted traditional commodities actually increased in the early years of the decade (see Table 5.4). Throughout the 1980s, economic growth stagnated, and per capita income levels for the region fell from \$1,126 in 1980 to \$950 in 1989 (1980 prices). During the same period, the region's trade deficit increased by 70%, representing declines in the terms of trade (losses amounted to roughly \$6 billion) and falls in the production totals of the major export commodities (Vuskovic, 1992:108-9). Pelupessey and Weeks (1993b:7) also suggest that, given the increasing debt burden faced by each of the countries and its combination with a declining ability to generate foreign exchange, the region also suffered from the depression of internal demand levels, with the effect of further intensifying the skewed patterns of income distribution characteristic of the region. As each country faced up to their declining ability to earn foreign exchange, public spending for social spending on health, education and housing programmes began to be cut back. The combination of which worked to accentuate the ongoing processes of income concentration (Vuskovic, 1992:109).

There is a consensus in the literature that the agro-export model must be transformed if there is to be sustainable economic growth in the region. However, neither a form of regional autarchy, even one based upon peasant food production, or a rapid shift to industrial exports, appears at all feasible in the near future; therefore the agro-export model must survive in some form. The nature of such change has been the locus of political struggle in the region in the last decade or so. Lindenberg (1985:173-176) charts a number of alternatives for the future direction of economic policy in the region;

A) The Continuation of Past Strategies

- 1) Continued Export Monoculture: This represents the continued reliance on traditional export commodities, the likely fortunes of which do not appear promising. It would also involve continued wide fluctuations in export earnings and unresolved political tensions. Product and market diversification which enabled (from 1954-1961) the counterbalancing of sharply deteriorating export prices and terms of trade) seems unlikely to offer even a medium-term solution.
- 2) The Mixed Strategy: This involves continued market and product diversification for the traditional sector, coupled with the development of the domestic market via regional ISI in the CACM. This strategy is reliant upon the income earned from the export sector to finance the industrialization process and the relaunching of the CACM; it therefore does not seem likely to be successful given the state of traditional markets at present (although it did provide the basis for the most consistent period of high growth rates in the region's history).

B) Suggested Alternatives:

- 1) Traditional and Non-Traditional agro-export diversification: This strategy suggests that, given the region's expertise in the agricultural sector, the development of new products and new markets within this sector represents the best opportunity for renewed growth in the region. It is generally based upon the exploitation of the market opportunities for speciality agricultural products and as such requires rapid responses to market conditions. In addition, as suggested by Maizels (1992:242-243) individual countries could seek to stabilize their earnings by looking for "*more predictable institutional forms of export for its traditional commodities.*" Such arrangements might include longer-term contracts or bi-lateral inter-governmental arrangements. There are obviously many political constraints involved in the search for such agreements.
- 2) Multi-Sectoral Export Strategy: This represents the combination of traditional and non-traditional primary exports, industrial exports, and market diversification, and owes much to the South East Asia experience. The strategy prizes flexibility. The problem is that the region has very little experience with non-agricultural production and is unlikely to be able to compete favourably with more experienced competitors. A problem which has been explored in more general terms in the discussions above.
- 3) The New Mixed Strategy: This combines the export diversification envisioned in B2 with concentration on the domestic market and the

redevelopment of the CACM. Quite how such a strategy should be managed is open to much debate.

The feasibility of each of the strategies is dependent upon one's perspective of the reasons underlying the descent into economic crisis in the region. Prescriptions for the future development of the region based on assessments that see the basic tenets of the export-led model as sound, and only fallible in terms of the execution of 'correct' economic policies or the maintenance of illegitimate and archaic social relations and political systems, will differ markedly from those analyses which stress the structural inadequacies of the agro-export led model of development. Supporting the first position, the World Bank has repeatedly stressed the role of misguided economic policies in the gestation and continuation of the crisis. They have focused their attention in particular upon the region's maintenance of what they see as over-valued exchange rates. This neoliberal view therefore locates the major cause of the economic crisis in the growing lack of financial discipline in the region which originated in 1973 and became more widespread in the period since 1979, encouraging the escalation of capital flight which occurred in the region during the 1980s (Irvin, 1991:99).¹⁶ The World Bank has therefore repeatedly stressed the importance of combating the 'over-valued' exchange rates of the region, which they claim to be the major factors affecting the poor export performance of the region. The problem with such a perspective is spelt out clearly in the following quote from Pelupessey and Weeks (1993:9-10);

"There is a definitional sense in which exchange rates are always overvalued when a country suffers from balance of payments pressures, just as one can say that the price of apples is too high when there are apples unsold. Even were it the case that depreciation of the exchange rate would equilibrate the external sector, it does not follow that the resulting equilibrium exchange rate would represent an efficient price in terms of resource allocation. Consider the case in which a small economy is in general equilibrium, all markets cleared and resources optimally allocated between tradables and non-tradables. Assume that the country's major trading partner, a much larger country, embarks on a severely restrictive monetary policy that depresses its domestic demand and, therefore, the demand for the exports from the smaller country. The small economy will experience a trade deficit in consequence. With a floating exchange rate, a real depreciation will result, restoring the external sector to balance. The resulting exchange rate, even though it achieves external equilibrium, would be inefficient, distorted by the monetary policy of the large country and misallocating resources toward exports."

¹⁶ A factor more realistically attributable to the skewed patterns of land ownership and excessive accrual of rents which meant that there was too much domestic capital facing too few profitable domestic investment opportunities (Pelupessey and Weeks, 1993:9).

Pelupessay and Weeks go on to suggest that the scenario described in the above quote was precisely what happened to the countries of the region during the international recession of the 1980s and that any simplistic calls for more 'realistic' exchange policy are both misguided and unhelpful. Furthermore, to my mind the World Bank perspective on this seems fundamentally misguided, given the long history of stable exchange rates and liberal financial attitudes which have characterized the region (see Bulmer-Thomas, 1987: Chapter One).

The possibilities for the recuperation of traditional commodities remain thin. The only exception to this rule is the success of the Costa Rican economy in moving into new product markets (see Reuben, 1987 & 1988 on the evolution of the crisis in Costa Rica and, on the relative successes of recent years, see the most recent editions of the annually published Consejo Monetario Centroamericano, Situación Económica de los países Centroamericanos). It must not be forgotten also that the experiences of the past decade have seen the progressive increase of regional inequality, with the Costa Ricans enjoying per capita income levels in 1989 which were around 220% of the regional average (in 1975 they had represented much less than twice the regional average; Pelupessay and Weeks, 1993:14).

The relative success of Costa Rica has been interpreted by the ideologues of the international institutions as representing the benefits received by the country which has most closely approximated to their policy prescriptions. Another interpretation would, however, point to the preferential treatment which Costa Rica has received, in terms of market access and concessional financing, in relation to the other countries of the region. Their very success may prove to be inimical to the successful pursuit of similar externally-oriented strategies in the other countries of the region.

A study carried out by the Institute of Social Studies (ISS, 1988) suggested that if all of the external factors outside of the control of the Central American governments remained on similar trajectories, then economic recovery for the region as a whole would be unlikely. Even the achievement of the per capita consumption levels of the late 1970s (a period when external credits were still more freely and cheaply available and export levels were continuing to grow), would require considerable changes in the access of the countries of the region to external financial assistance and markets, and improvements in the market conditions of the traditional export commodities. Even if a regionally-oriented export strategy were to be successfully implemented the region would still require substantial external assistance during the long transition period which the development of non-traditional export commodities

would entail (Gallardo, 1993:129-31).

5.9 Final Comments:

In summary, there is now a widespread consensus that the prospects for the traditional agro-exports of the region in the 1990s are far from good. This suggests that any pro-export strategy must rely on the development of new non-traditional products and the pursuit of new markets, or the expansion of intra-regional trade. Despite recent pessimistic predictions of the fate of any future steps toward economic integration in Central America (see Irvin and Holland, 1989), the development of the North American Free Trade Association (NAFTA) appears to have rekindled the desire for economic integration in the Central American region, with a view to eventually gaining admission to the NAFTA itself. This rejuvenated integration process, however, has stressed the need to open the region up to international market forces as quickly as possible in order to encourage inward investment in extra-regional and intra-regional exports, rather than the development of a protected internal market as had been the case under the CACM (see Chapter Three). Thus in November 1993 Costa Rica and Panama joined Nicaragua, Honduras, El Salvador and Guatemala in signing a General Central American Economic Integration Treaty (the latter four countries were already joined by the "Central America Four" (CA-4) trade pact).¹⁷

This regional, but externally-oriented, model has been embraced by an emerging 'centrist' sector committed to a neoliberal model of development, rather than the archaic political systems of the old agro-export oligarchic state (see discussions in Chapter Two and the series of articles in *Envío* over the past couple of years). The feasibility of such a strategy is dependent upon a number of factors. The model is dependent upon attracting external capital, first of all for investment in productive activities for serving the regional market and, secondly, for investment in non-traditional extra-regional exports. The incentives which this would be based on would rely primarily on the low wages of the region, the increasingly deregulated markets, and the lack of import and export restrictions.

How likely is this new model of rapid liberalization and the development of new and

¹⁷ The eagerness of the governments of the region to join in the perceived benefits of Free Trade and closer integration are revealed in the following quote from Rafael Rodríguez, Secretary General of the Central American Economic Integration System (SIECA); "What we want is to create a common market that includes the free trade of goods and services, labour and capital in the framework of economic and monetary integration." Source: "Central American Presidents Advance Integration Scheme," NICARAGUA NETWORK HOTLINE, November 1, 1993; "El CA-4 Paso al CA-6," SUCESOS de la Integración, October 29, 1993.

mainly extra-regional exports to prove successful? Gallardo (1993:139-140) suggests that for a return, within ten years, to the consumption levels of the late 1970s, such a strategy would require that, over the period, non-traditional exports to the rest of the world grow to between 40 and 60 percent of total exports. This would require the massive transformation of the region's economic base and rapid and profound changes in the dominant policy measures in the region. For such a strategy to prove successful in overcoming the balance of payments problems which it was designed to assuage would also assume that imports would not increase to the same extent over the period, that domestic sectors of the economy would not be overrun by those imports, and that the new exports would not be met by renewed protectionist measures in the targeted markets (especially important with regard to the EC, see Brown, 1993).¹⁸

The foregoing discussions have detailed the constraints operating upon the economic recovery of the Central American region due to the structural dependence upon agro-exports. The economic crisis that beset Nicaragua during the 1980s (outlined in Chapter Four) cannot be seen in isolation from these issues, but neither should they be seen as determining the trajectory of the economy during that period. The dependence upon agro-exports is particularly constraining for a small peripheral economy attempting a transition toward an economic model based upon different dynamics and with a greater commitment to equity. To the problems inherent in such economies which have been discussed in this chapter (the structural rigidities, irresponsiveness to market changes, and openness to market disequilibria) must be added, the specific problems faced by Revolutionary Nicaragua with regard to: access to liquid financial resources, changing political priorities, and the desire to transform the bases of comparative advantages away from the over-exploitation of labour. This chapter has also placed the economic decisions facing the FSLN during the 1980s into a regional context, by placing their attempts to overcome the structural dependence upon agro-exports within the context of discussions taking place at the regional level regarding the future economic trajectory of the region as a whole.

¹⁸Gallardo (1993:141) goes on to suggest that, for Guatemala, El Salvador and Costa Rica in particular, a regional model of import substitution would perhaps be more appropriate. He estimates that the target consumption levels detailed above with regard to an export-led model could be achieved in those countries with a growth rate in intra-regional trade of only 3 to 5%.¹⁸ Whether such a strategy would be viable as an exclusive model of development, is however, open to question especially given the protectionist measures it would involve, the amount of political cooperation needed for its success and the mistrust with which it would be viewed by the major international lenders (For further consideration of the feasibility of such a strategy see Gallardo, 1993:141-143 and the various contributions to Irvin and Holland, 1989).

Agro-Exports and Sandinismo: The Agro-Export Sector in The Nicaraguan Transition

6.1 Introduction:

The general trajectory of the Nicaraguan economy during the 1980s was outlined in some detail in Chapter Four where some of the explanations for the trends described and their political significance were also considered. These discussions were placed in a wider theoretical and regional context in Chapter Five through an analysis of the major theoretical issues surrounding the problems of agro-export dependence and the dynamics of Central America's agro-export-led model of economic development and its descent into crisis at the end of the 1970s. The present chapter extends the analysis of economic policy outlined in Chapter Four through a consideration of the performance and dynamics of the Nicaraguan agro-export sector during the revolutionary years which is placed in the context of the theoretical and regional issues explored in Chapter Five.

The study of Nicaragua's external sector, and of agro-export production specifically, offers particular insights into the problems that small, peripheral, and most importantly, 'open,' economies face, in attempting to instigate 'alternative' paths of socio-economic development and changes in the position of the national economy in the international capitalist system (Conroy, 1987:170). In such economies, the performance of the export sector dictates, in large measure, the resources available for the development of social programmes and the deepening of economic transformation. It is also a major determinant of overall economic growth levels and can, therefore, act as a major constraint on all aspects of development. Under such conditions, therefore, any revolutionary regime faces the challenge of reactivating export production, in order to provide the foreign exchange needed to facilitate the process of social transformation it wishes to instigate. At the same time, however, the previous profitability of the export sector has often been realized on the basis of the over-exploitation of labour. Thus, if the maintenance of an important group of large-scale capitalist exporters is seen as necessary to economic survival (as it was in the Nicaraguan case) the government is faced with a contradiction in which it recognizes the need to provide incentives to a sector whose profitability has traditionally been built upon the very over-exploitation of labour which the government is committed to reversing. Similarly, even if the productive structure of the sector is transformed in

the post-revolutionary period through the expropriation of the large private sector (and its replacement by state farms, production cooperatives or individual smallholders), the maintenance of profitability in international markets will continue to be heavily dependent upon the control of labour costs; at least until the processes of productive transformation can effect a modification in comparative advantages, through improvements in productivity, the diversification of product structure, or technical advances.

The performance of the agro-export sector was, therefore, of crucial importance to the economic survival of the revolutionary process in Nicaragua, both for the reasons noted and a number of factors specific to the Nicaraguan situation.

Firstly, the centrality of the export sector was even more apparent in the Nicaraguan case because of its all-encompassing role in the development of Nicaragua's social formations and political culture, both through its weight in productive activity, and the political power of the groups controlling production of the different commodities.

Secondly, no understanding of the Sandinista revolution and its dynamics could be possible without an understanding of the reasons underlying the political and economic crisis of the regional export-led model (see discussions in the previous chapter), and the ways in which the inadequacies of its structural legacy, and its continued influence, limited the options open to the Sandinista leadership in the economic sphere.

Thirdly, the new model of development embarked upon by the Sandinistas themselves was particularly resource hungry and, therefore, especially dependent upon the continued access to income earned from the export sector. This reflected the FSLN's commitment to the expansionary programme of investments in agro-industrial development, coupled with the political necessity of satisfying the expanding consumptive demands of the population (see the discussions of overall economic trends in Chapter Four). Furthermore, the FSLN also had a particularly technocratic view of the nature of the sector, over-estimating the role of the larger private producers, and under-playing the productive weight of the peasant sector (Giannotten and De Wit, 1987). All of these factors meant that the generation of foreign exchange continued to be of as great, if not greater, importance in revolutionary Nicaragua than it had been in the past.

6.2 The Nature of Nicaragua's Agricultural Sector:

By 1979, despite having experienced two decades of expanding industrial activity and

a dramatic increase in the relative size of the urban population,¹ Nicaragua was still fundamentally an agrarian economy. In that year, agriculture still contributed nearly 33% of total GDP, about half of the economically active population were engaged in agricultural activity of some kind², and agricultural commodities continued to play the dominant role in the export sector (Gallardo and Lopez, 1986). In addition, these figures do not suggest the strategic importance of the agricultural sector, evident in the fact that agricultural activity still earned the vast majority of foreign exchange, and up to a fourth of the value added through industrial production corresponded to the processing of agricultural commodities (Gibson, 1987a:35). As argued by James Dunkerley, in relation to Central America as a whole;

"Although the configuration of both economy and settlement has altered significantly, it has not amounted to a qualitative erosion of the isthmus' historic role in the world market or traditional internal structure; the countryside remains the key factor in the political economy of the region."
(Dunkerley, 1988:179)

Throughout its history the most striking feature of Nicaragua's agricultural sector has been the low population density and the consequent lack of pressure of human numbers upon land utilization. In contrast to an average Central American population density of 45 persons per square kilometre, Nicaragua has a figure of only just over 20. Despite this, the demand for land has been an emotive political issue throughout Nicaraguan history; reflecting the progressive displacement of the smallholding peasantry and indian communities from the most fertile lands through the expansion and consolidation of the large latifundios and the development of the export sector. Before considering in more detail the economic structures and social relations which characterized the sector at the time of the revolution, a brief description of the physical geography of the country should be noted. Map 3 provides a stylised view of Nicaraguan topography, whilst Nicaragua's bioregions are given a regional context in Map 4. Nicaragua has three basic physical regions each with their own ecological dynamics and interaction with the human population. These are as follows:³

¹ Between 1950 and 1980 the urban population of Nicaragua is estimated to have expanded from 19% to 54% of the total population; Dunkerley, 1988:172, Table 4a.

² Between 1950 and 1975 the proportion of the economically active population engaged in agricultural activities in Central America as a whole had fallen from 67% to 52%, Dunkerley, 1988:179.

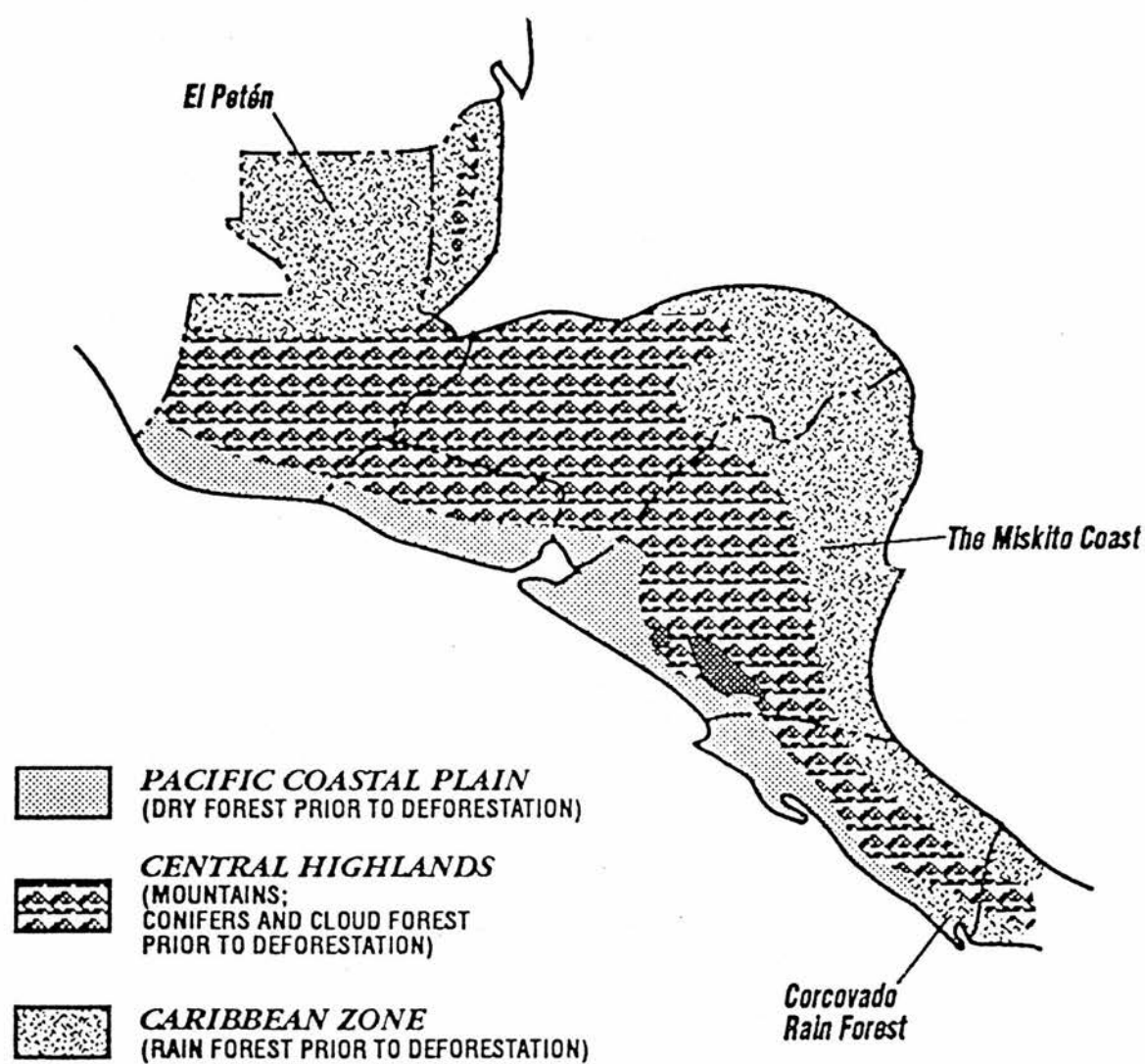
³ This description is largely adapted from SUAS (1987:3-6). Each of the administrative Regions of the country (see Map 2) can be loosely located within one of these three broad physical regions. The mix of agricultural production of each of these administrative units is briefly detailed in Appendix Five.

Map 3:

Topographic Map of Nicaragua

- | | | | |
|--------------------|----------------------------|---------------------|----------------------|
| 1. V. Cosigüina | 7. V. Masaya | 13. Mts. Tepasomoto | 19. Ramal Pispis |
| 2. V. S. Cristóbal | 8. V. Mombacho | 14. Mts. Dailí | 20. Cord. Isabelia |
| 3. V. Telica | 9. V. Concepción | 15. Mts. Murra | 21. Cord. Dariense |
| 4. V. Las Pilas | 10. V. Maderas | 16. Ramal Kilambé | 22. Meseta Estrada |
| 5. V. Hoyo | 11. Cord. Los Maribios | 17. Ramal Baba | 23. Serr. de Huapí |
| 6. V. Momotombo | 12. Cord. Dipilto y Jalapa | 18. Ramal Yeluca | 24. Cord. Chontaleña |
| | | | 25. S. Yolaina |

Map 4:

Central America's Bioregions

Source: Weinberg (1991:xii)

1. The area of the most fertile soils, and hence Nicaragua's most important agricultural zone, is the **Pacific** or **Western** region. This area is basically a large coastal plain marked by a series of relatively young volcanoes from which the richly fertile soils have evolved. This plain is dissected by a low depression or rift valley in which are located the two largest freshwater lakes in Central America, Lake Managua and Lake Nicaragua. Located in the shadow of the Central Highlands the region has the lowest annual rainfall of the three regions which is seasonally distributed and the source of dry season water resource problems. Most of the land of the region is under agricultural production (including the most important areas of sugar, banana and cotton cultivation, the more technified coffee estates, as well as irrigated rice production for the domestic market) or urban settlement, with only pockets of forest remaining. The three major Nicaraguan cities (Managua, Leon and Granada) are all located within this region.

2. The **Central Highland** region is an area of mountains interspersed with deep valleys that drain primarily towards the Atlantic. The Northern part of the region is still quite heavily forested, although much of the country's coffee cultivation now takes place in the more fertile valleys, whilst the flatter areas, the hills and plains of Boaco and Chontales to the South, have been given over to various agricultural activities, and especially ranching. The temperature and soils vary quite considerably in relation to the relief; although the soils are generally poorer than the volcanic soils of the Pacific Plain (yet still well suited to cultivation), and the temperatures temperate rather than tropical.

3. The largest part of Nicaragua's land mass is the **Atlantic** region which is also the least densely populated. It is a hot and humid area composed of large heavily forested regions, swamps and savana land. Once the forest cover is removed, the soils tend to be thin and easily eroded. The area is relatively isolated from the rest of the country, ethnically distinct, and located far from the administrative centres of the country. Indeed, although there are road links between the Pacific and the Atlantic, these are so poorly developed that the majority of travel between the Atlantic and the other two regions is still carried out by river, or more recently by plane.

A summary of land use in Nicaragua is given in Table 6.1. As the table shows, land utilization is still dominated by pasture which represents nearly half of the total land area; whilst there is also still a sizeable proportion of land under forest cover. What

TABLE 6.1 Land Use In Nicaragua (estimated totals for 1990 in hectares)

Total Area	13,000,000
Land Area	11,875,000
Land Devoted To Arable Farming or Permanent Crops	1,273,000
(Arable)	(1,100,000)
(Permanent Crops)	(173,000)
Pasture Land	5,400,000
Forestry and Woodland	3,380,000
Other	1,822,000
Source: FAO Production Yearbook (1991)	

this 'snap shot' of land use fails to reveal, however, is the rapid encroachment of pasture upon the remaining forested areas which has occurred in recent decades.⁴ At this juncture it would be useful to outline some of the environmental ramifications of the export-led model.

6.3 Environmental Conditions:

Much has been written about the detrimental ecological impact of the Spanish conquest on the Americas (see for example the series of articles in the special edition of the NACLA Report on the Americas entitled 'The Conquest of Nature', vol.XXV, no.2) and Nicaragua did not escape this legacy. The most densely populated area (the Pacific Coast) was the worst affected with, by the end of the colonial period, almost complete deforestation, the supplanting of traditional indian agricultural practices for less suitable European ones, and the turning over of large tracts of land to pasture (for more detailed discussions of the Spanish ecological legacy in Nicaragua see Faber, 1993; Weinberg, 1991 or various editions of the Environmental Network for Nicaragua Newsletter).

For our purposes, however, the ecological effects of the development of the agricultural export sector in the late nineteenth century, and its expansion after the Second World War are more important to assess. In particular, the rapid growth of export production under the Somoza dynasty had a devastating ecological impact. By 1979 vast areas of tropical rainforest in the Atlantic region had been cleared through the granting of logging concessions to transnational companies (30% of Nicaragua's rainforest disappeared in the 1970s). The forests of the Central Highlands and the few remaining forested areas of the Pacific were not safe either. Here, however, the destruction was more often carried out by peasants, dispossessed of their lands by the expansion of commercial export agriculture and ranching activities and forced to clear areas of forest for cultivation as they moved toward the agricultural frontier. As the numbers forced from their lands increased, so the agricultural frontier moved further inland (Faber, 1993; 152 and Weinberg, 1991:76). This meant that the evolving pattern of land use in Nicaragua was highly irrational, as much of the nation's basic grain production occurred in the poor soils of the mountainous regions, whilst there were large tracts of the best agricultural land turned over to pasture (Barricada, December 5th 1983).

Furthermore, the incipient industrial development of the 1960s and 1970s, and the

⁴ Studies have shown that the destruction of Nicaragua's tropical and temperate forests is continuing at an alarming pace (see authors cited below in Section 6.3).

dumping of untreated sewerage from the growing urban population, saw the two major Nicaraguan lakes seriously contaminated by industrial pollution by the time of the revolution. However, the most damaging factor of all was probably the rapid development of the highly technified cotton sector on the Pacific Coast. Here, the intensive cultivation of the crop and the abuse of pesticides (including chemicals banned in the West and the testing of new varieties) have led to irreparable damage to the top soil and serious problems of human contamination, with nearly 400 pesticide-related deaths reported annually (Faber, 1993: 152, Weinberg, 1991:76 and Norsworthy, 1989:144).

On assuming power, the FSLN expressed a commitment to the righting of the environmental damages wrought by the Somocista development model. However, the onset of war and the intensifying economic crisis of the ensuing years led to a certain weakening of this commitment. This was linked to the stark economic decisions that the FSLN had to face in the context of austerity and hardship. Hard choices had to be taken regarding the balances between: prioritizing large scale or small scale agricultural sectors; the export sector or the domestic sector; the state or the private sector; or to improving agricultural techniques in ways that were environmentally friendly or through large-scale green-revolution type projects that were heavily dependent upon inputs and machinery. These issues are returned to below.⁵

6.4 The Structure of the Agroexport sector:

By the time of the revolution the external sector of the Nicaraguan economy, in common with the other countries of the region (see Chapter Five), still remained the fundamental motor of the accumulation process, despite the achievement of a certain level of industrialization. More importantly, notwithstanding a certain degree of diversification during the Post-War years, the sector continued to be dominated by the production of a limited number of agricultural commodities. These trends are revealed in Tables 6.2, 6.3 and 6.4. The figures in Table 6.2 clearly show the intensifying dependence of the Nicaraguan economy upon the export sector throughout the export-boom of the Post-War period; with exports having grown to represent over 30% of GDP by 1979. The continued dominance of agricultural commodities within the overall composition of the sector was such that the share of total exports accounted for by non-oil primary commodities only fell by 6% between 1960 and 1988 (Table 6.3). In a similar way, by 1977 the two most important export crops (coffee and

⁵ For more detailed accounts of the FSLN's environmental programmes see; various editions of the Environmental Network for Nicaragua Newsletter, Faber (1993), Weinberg (1991), Norsworthy (1989), Barzatti and Rovinski (1992), Wieberdink & Van Ketel (1988) and Sweezy and Faber (1988).

Table 6.2 Nicaragua: Percentage Ratio of Exports to GDP (in dollars at constant 1970 prices)

1960	21.3
1970	25.2
1979	30.9

Source: CEPAL, Statistical Yearbook for Latin America, 1980, Table 49, Page 116.

Table 6.3 Nicaragua: Structure of Merchandise Exports in 1960, 1978 and 1988 (percentage of total value of exports)

Fuels/Minerals			Other Commodities			Manufactures		
1960	1978	1988	1960	1978	1988	1960	1978	1988
2	1	2	95	82	89	2	17	9

Source: World Bank, World Development Report 1990, p.208 and World Bank, World Development Report 1981.

Table 6.4 Relative Importance of Nicaragua's Principal Export Crops (percentage of total exports)

1950		1970		1977	
major export	2 major exports	major export	2 major exports	major export	2 major exports
50.3	55.5	19.2	37.2	31.2	54.9

Source: Torres-Rivas and Aguilera (1986), p.37 and Appendix 2

cotton in that year) still accounted for over 50% of total Nicaraguan exports. This figure, as shown in Table 6.4, was within one percentage point of that for 1950. Such generalized figures, however, hide the fact that the relative importance of the various commodities has oscillated considerably. As outlined in Chapter 5, in relation to the Central American region as a whole, the fortunes of the major crops have waxed and waned according to the opportunities on the international market and domestic conditions. The varying percentage contribution of the most important crops to total exports over time are shown in Figure 6.1. The major trends demonstrated there include, the growing importance of cotton exports since 1950, the reinstatement of coffee (as opposed to cotton) as the most important commodity from the late 1970s, the periodic booms in meat and sugar exports in the 1960s and 1970s, and the relative expansion in the importance of banana exports towards the end of the 1980s.

6.4a The Agro-Export Sector under the Somozas:⁶

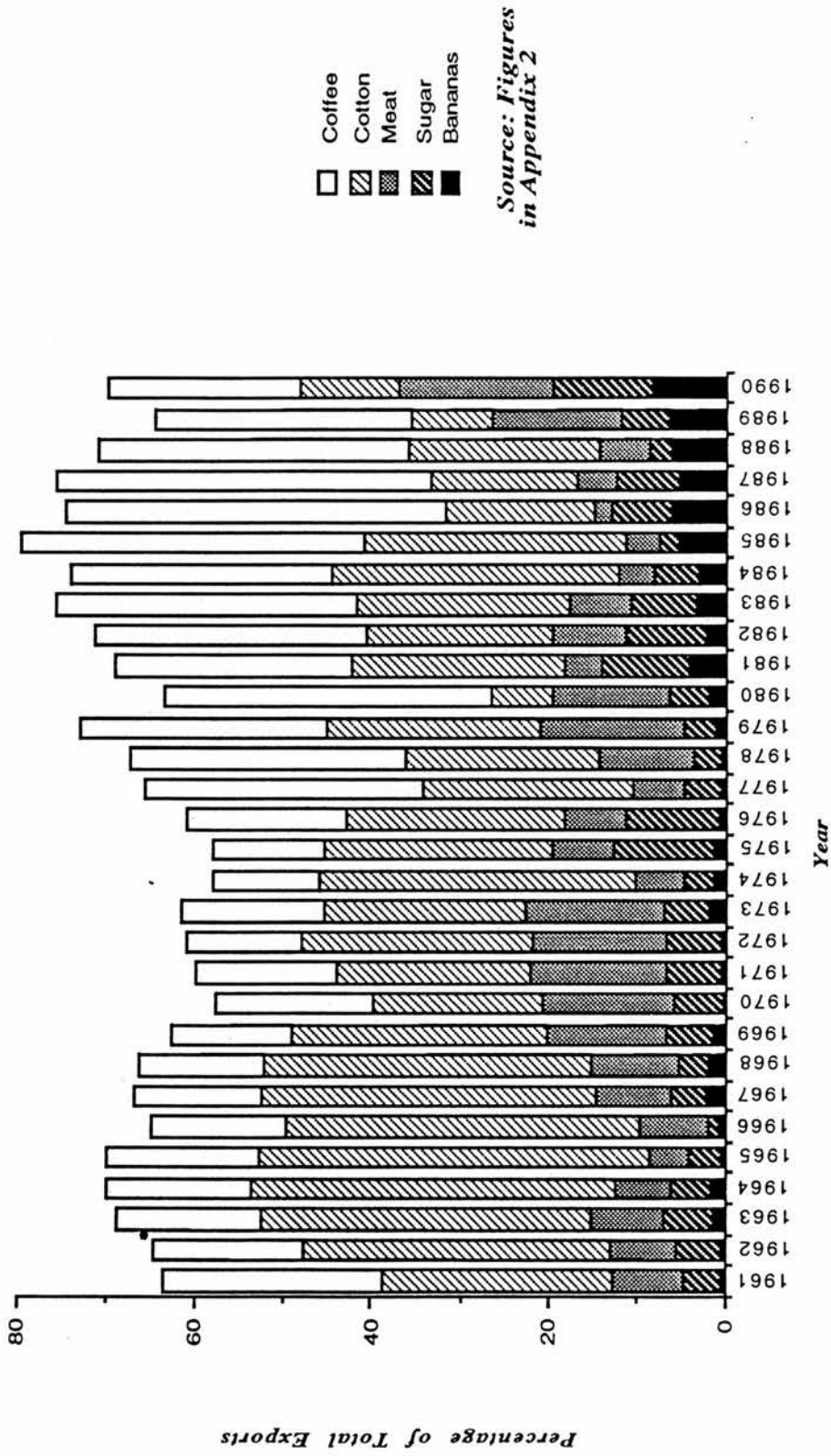
Despite the expansion of export production that had occurred since the late nineteenth century and its practical determination of the level of commerce and services (as well as the provision of the bulk of government revenue through customs duties and surcharges), at the time of the consolidation of Somoza's grip on power the Nicaraguan economy was still relatively underdeveloped and practically stagnant. Even by the outset of the Second World War the economy was still relatively backward in comparison with the other Central American republics.⁷ Of the two commodities which dominated the economies of the region at the time, Nicaraguan coffee exports represented only 10% of the regional total, whilst banana production, despite periodic booms, had never managed to establish itself successfully in the country (Torres-Rivas, 1969: 177-178).

The onset of the international depression in the 1920s seriously disrupted and reversed the prior expansion of coffee production, as prices collapsed by 30% between 1924 and 1935. This represented a serious erosion of national earnings, and it was to be twenty years before per capita GDP in Nicaragua reattained its 1929 level (Dunkerley, 1988:90-91). In an attempt to gain exchange from other sources, the following years saw a significant expansion in the export of minerals and in particular

⁶ See also the discussions in Chapter 3 about the evolution of the Nicaraguan economy and Chapter Five concerning the regional crisis at the end of the 1970s.

⁷ Bulmer-Thomas (1990:317,323,339), for example, explains that Nicaraguan exports earned only around \$10 million a year in the early 1930s, levels of GDP per head at the time of the Second World War were the second lowest in the whole of Latin America and export totals were far below those of the other Central American economies.

Figure 6.1: Nicaragua: Selected Exports as a Percentage of Total Exports: 1961-1990



that of gold.⁸ Despite this, gold exports were, by and large, unable to compensate sufficiently for the collapse in coffee earnings. The major reason for this was that the major Nicaraguan gold deposits, whilst of reasonable size, were located far from the political and economic centres of the country and suffered from appalling infrastructural connections. This meant that neither private investors, nor the state, could expand the commercial exploitation of gold profitably. Expansion in the scale of banana exports could not be relied upon either as international banana prices had also experienced a price crash during the depression, although not to the same extent as that suffered by coffee. In addition, Nicaraguan banana plantations were experiencing serious disease-related problems which eventually led to the almost complete abandonment of the crop (Dunkerley, 1988:91; Weeks, 1985:53 and CEPAL, 1968:10).

After the stagnation that had characterized the inter-war years, the Nicaraguan economy, fuelled by a massive expansion agro-export production, and the partial industrialization promoted by the CACM (Central American Common Market), grew at an unprecedented rate in the Post-War period, an average of some 6% per year (Ocampo, 1991:333). The existence of gold exports, together with the rapid development of cotton, meant that, for the first decades after the Second World War, Nicaragua was less dependent upon the two traditional commodities of coffee and bananas than the other countries of the region (just over 50% of exports were comprised of coffee and bananas in 1954; as opposed to around 80% in the other republics; see Bulmer-Thomas, 1987). During the following years, however, the importance of gold exports declined⁹ and there was a rapid expansion and modernization of the agricultural sector. During this period coffee production was expanded once again but the most significant development was the massive escalation of cotton exports. Later decades also saw the expansion of other marketable commodities such as sugar, beef, tobacco and sea foods (see Figure 6.1). The new industrial sector which emerged under the auspices of the CACM in the 1960s, also made its presence felt in the figures for total exports, mainly through the export of manufactures to the other countries of the region.¹⁰ Thus, between 1960 and 1970 the proportion of total exports accounted for by the

⁸ Gold had in fact been of periodic importance during the Colonial period and at various times in the years following independence. From 1930 onwards, however, it began to be exploited and exported in earnest, in response to Somoza's easing of regulations on foreign investment. Production increased seven-fold between 1928 and 1940 with gold exports representing fully 60% of total exports in 1940 (Bulmer-Thomas, 1990: 335 and Wheelock, 1985:115, Table 1).

⁹ Although in 1960 they still accounted for 11% of total exports (Wheelock, 1985:115, Table 1)

¹⁰ Although, as Weeks (1985:66) points out, 32% of Nicaraguan trade with the CACM in the Mid-1970s represented food exports (for the most part these were processed food items based on imported inputs).

manufacturing sector increased from 3.7% to 22% reflecting, in particular, the local production and export of chemicals (chiefly fertilisers, pesticides and caustic soda), plastics, and metal products for the construction industry in the other countries of the CACM (Weeks, 1985:88 and Brundenius, 1987:89, Table 3). The industrial expansion brought by the development of the CACM proved to be short-lived, and despite the certain level of diversification into industrial activities that had been achieved, by 1978 the export of agricultural commodities still accounted for over 80% of export revenues. This continued dependency upon agricultural exports was to intensify into the 1980s, as the industrial sector collapsed under the final disintegration of the CACM and the onslaught of war, economic crisis and the trade embargo. Table 6.5 gives a more detailed breakdown of the composition of Nicaraguan exports in 1977.

6.4b Markets:

The expansion of Nicaragua's export sector at the turn of the last century had been primarily geared toward the United States' market. Even in 1913, over 50% of all Nicaraguan exports had gone to the US, although the British and German markets also accounted for over 30% between them. The proportion of exports going to the US market intensified during the Second World War (accounting for 84% of total Nicaraguan exports in 1940) but, thereafter, with an increase in the range of products exported, so the markets Nicaraguan exporters traded in diversified (Bulmer-Thomas, 1987:9&92). The US share of Nicaragua's export market, therefore, fell from 70.6% at the end of the war, to 65.1% in 1950, 52.7% in 1960 and to only 36.5% in 1970. In addition to the successful procurement of new markets in other industrial countries, the main factor underlying this diversification, was the rise of the CACM. Between 1960 and 1970 the share of Nicaraguan exports going to the other countries of the isthmus increased from 4.5% to 26.3% (Bulmer-Thomas, 1988:).

The combination of these factors meant that by the time of the revolution Nicaragua's trading relations were somewhat more diversified than those of the other countries of the isthmus. In short there were four principal export markets for Nicaraguan produce in 1977, Western Europe (31.2%), the US (23.6%), the CACM (21.2%) and Japan (11.1%); whilst imports came primarily from the US (28.9%), the CACM (21.6%) and Western Europe (19.3%), with Japan also accounting for 10.1% . These import figures, however, hide a more generalized level of dependence upon trade with the US. This is because, although the figures are less reliable, it appears that a large majority of trade in services (mainly imports, Nicaragua's deficit in services averaged

Table 6.5.
Commodity Composition of Nicaraguan Exports in 1977 (in thousands of US\$)

Category	Value (in thousands of US\$)	Percentage
Meat and Preparations	38,983	6.16
Fish and Preparations	23,584	3.73
Cereals and Preparations	5,056	0.8
Fruits and Vegetables	5,896	0.93
Sugar and Preparations	31,171	4.92
Coffee, Tea, Cocoa etc.	200,797	31.72
Animal Feeds etc.	11,533	1.82
Beverages and Tobacco	7,470	1.18
Cotton Fibre	153,094	24.19
Other Crude Materials	27,348	4.32
Mineral Fuels	1,204	0.19
Fats and Oils	5,460	1.86
Chemicals	50,968	8.05
Wood, Cork etc.	3,517	0.56
Textiles, Yarn and Fabric	11,951	1.89
Iron and Steel	4,035	0.64
Non-Ferrous Metal Production	8,602	1.36
Metal Manufactures	1,274	0.2
Other basic Manufactures	5,198	0.82
Machines, Transport Equipment	3,941	0.62
Misc. Manufactures	16,826	2.66
Other Misc. Exports	15,078	2.38

Source: UN Commodity Trade Statistics, 1977, 226-255, cited in Conroy (1987:174, Table2)

\$50 million between 1976 and 1978) was carried out with the United States (all figures from Conroy, 1987:174-5).

6.4c The External Sector as a Whole: National Debt and the Pitfalls of Agro-Export Development:

Despite the boom and bust style of development imposed by the agro-export model, the conscious application of 'liberal' exchange policies and conservative control of the money supply, ensured that the value of imports and exports remained roughly balanced throughout the Post-War years, and the debt service ratio was kept within manageable levels at least until the early 1970s (a range of between 5 and 17% between 1958 and 1972; Gibson, 1987:29 and Bulmer-Thomas, 1990). By the mid-1970s, however, the expansion in traditional export production had reached its zenith, the CACM was faltering and the economy struggled to find new momentum. By this time, Nicaragua had a surplus in its commodity trade relations with only two of its major trading partners; the People's Republic of China (representing the export of cotton) and Western Europe and the total trade deficit in 1977 was \$129 million, which represented 20.4% of that year's total exports (Conroy, 1987:175).

The major turning point with regard to the financial stability of the regime appears to have occurred in 1972. In that year, resources had flooded into the country in response to the destruction of Managua by the earthquake, private capital inflows had increased, and the impending collapse of the CACM had a serious effect on the balance of payments, as imports of capital equipment and productive inputs continued to increase without any concomitant increase in export production.

Naturally the marketing of exports was not the only source of external financial resources and the expansion of agro-export production itself had been facilitated by considerable levels of international financing; largely through loans from the international financial institutions rather than direct private productive investment (although see discussions below on private investment in the 1970s). International loans had helped to finance the expansion and technification of agro-export production, the development of the industrial sector under the CACM in the 1960s, and had also supported infrastructural developments. The extent of this involvement can be seen in the fact that Nicaragua's external public debt grew forty one fold between 1950 and 1977 (Stahler-Sholk, 1987:152-3). Although, as noted above, for most of that period the growth in export production had been at such a rate so as to make the debt burden manageable.

The period from 1972, however, had seen successive increases in the interest rates on the national debt which, together with the increases in oil prices and all petroleum-

based inputs of the period, added to the growing disequilibria, despite improvements in the prices of some of Nicaragua's principal export commodities (Arana et al, 1988:66). By the time of the revolution the relative size of Nicaragua's total debt, at 74% of GDP, was the highest in Latin America.

Other factors had also added to the evolving debt burden and the economic collapse at the end of the seventies. Firstly, during the expansionary phases, the successes of the export sector had supported expensive consumption patterns in the elite sectors, which relied heavily on the importation of luxury items. These same sectors, panicked by the events of the months preceding the revolution, were responsible for capital flight to the value of \$535 million in the last eighteen months of the regime (Ocampo, 1991:334). Secondly, the months following the earthquake of 1972 had further revealed the unsavoury nature of the Somoza regime, as large parts of the incoming funding for reconstruction work in the quake's aftermath were misappropriated by the regime and its allies. Ugarteche, cited in Arana et al (1988), suggests that many of the loans made by the Ultramar Banking Corporation (the most important creditor- an investment bank controlled by Somoza) were

"made for fictitious enterprizes or for the purpose of garnering the banking commissions and assigning the loans to Somoza's other businesses" (Arana et al, 1988:56-7).

Finally, the US support for the regime and Nicaragua's recent history of relative political stability meant that the country had been seen as a good financial risk by those seeking to recycle petrodollars after the 1973 oil price rise. During that period, therefore, considerable funds found their way into Nicaragua through private banking corporations.

By 1978, the confluence of all these factors, together with the disincentive to production caused by the growing political unrest, meant that the Nicaraguan economy was eventually unable to meet its debt servicing commitments. Despite a \$65 million stand-by package approved by the IMF in 1979, Somoza was still embroiled in negotiations to restructure the national debt to private banks at the time of the revolutionary triumph in July (Stahler-Sholk, 1987:152-154).

The overall economic situation inherited by the FSLN is expressed succinctly in the following quote from Stahler-Sholk (1987:155);

" When the Sandinista Revolution ousted the Somoza dictatorship in July 1979, Nicaragua's need for financing was already substantial. Foreign debt (public and private, including short term debt) stood at about \$1.6

billion....and foreign reserves covered only two days' worth of imports (because Somoza had stolen all available dollars before he left for Miami).

6.5 The External Sector Under the Sandinistas: An Overview

The preceding discussions have suggested the centrality of the performance of the export sector to the success of the FSLN's attempts at social transformation and the fragility of that sector at the time of the revolutionary triumph. The FSLN faced the sharp necessity of earning exchange in order to finance their attempts to increase the provision of social services (imported foodstuffs, medicines, more freely available credit etc.), the necessary economic equipment and inputs (fuels, machinery etc.) for economic reactivation, and also to finance the massive state investment programme in productive activity and infrastructural improvements. For all of these reasons, the agroexport sector was to retain, and even increase, its centrality to the Nicaraguan economy during the revolutionary period. despite the contradictory historical association of the sector with the imposition of exploitative labour systems and the exposure to the vagaries of the international system that the continued dependence upon export earnings represented (Goldin and Pizarro, 1988:24).

As outlined in Chapter Four, however, the 1980s saw the development of severe economic disequilibria and the disappointing performance of the export sector was a central component in the evolution of these problems. By the end of the decade the total foreign debt stood at \$9,741 million, which represented a staggering 33 times the value of exports in that year and over four times GDP (Ocampo, 1991:331). The inherited levels of indebtedness were burdensome enough, but, during the 1980s, they continued to rise as the volume and value of total exports consistently failed to reach their pre-revolutionary levels, and import levels, although constrained, constantly outstripped exports.

The outstanding debts inherited from the Somoza period were rescheduled relatively early on and new financing was, at least at first, readily available from both multilateral and bilateral sources (Weinert, 1981 and Ocampo, 1991:341-342).

Financial problems intensified, however, as investment failed to produce productive improvements, especially in terms of export values, and the commercial and public debt gaps widened. In addition, although access to new lines of credit did not fall below \$200 million throughout the decade, the main sources shifted from the international financial institutions and commercial banks to individual bilateral donors and in particular Eastern Europe. This caused additional problems because most of the existing capital stock had originated in Western Europe or the US, and it was difficult

to find compatible equipment from the new suppliers. This made the effects of the US trade embargo more serious than might at first appear from total import figures (see SIDA, 1989:43 and the discussion on the effects of US aggression below). In addition, during the pre-revolutionary period, liquid credit-lines had provided financing for up to 80% of Nicaragua's foreign imports, by 1986, however, less than a quarter of imports were paid for in convertible currency and the government had to increasingly rely on pre-financing and bilateral and counter-trade arrangements (Goldin and Pizarro, 1988:26). Thus, although the government continued to find alternative sources of finance to cover the burgeoning debt crisis, it found itself increasingly constrained by the inflexibility of those sources.

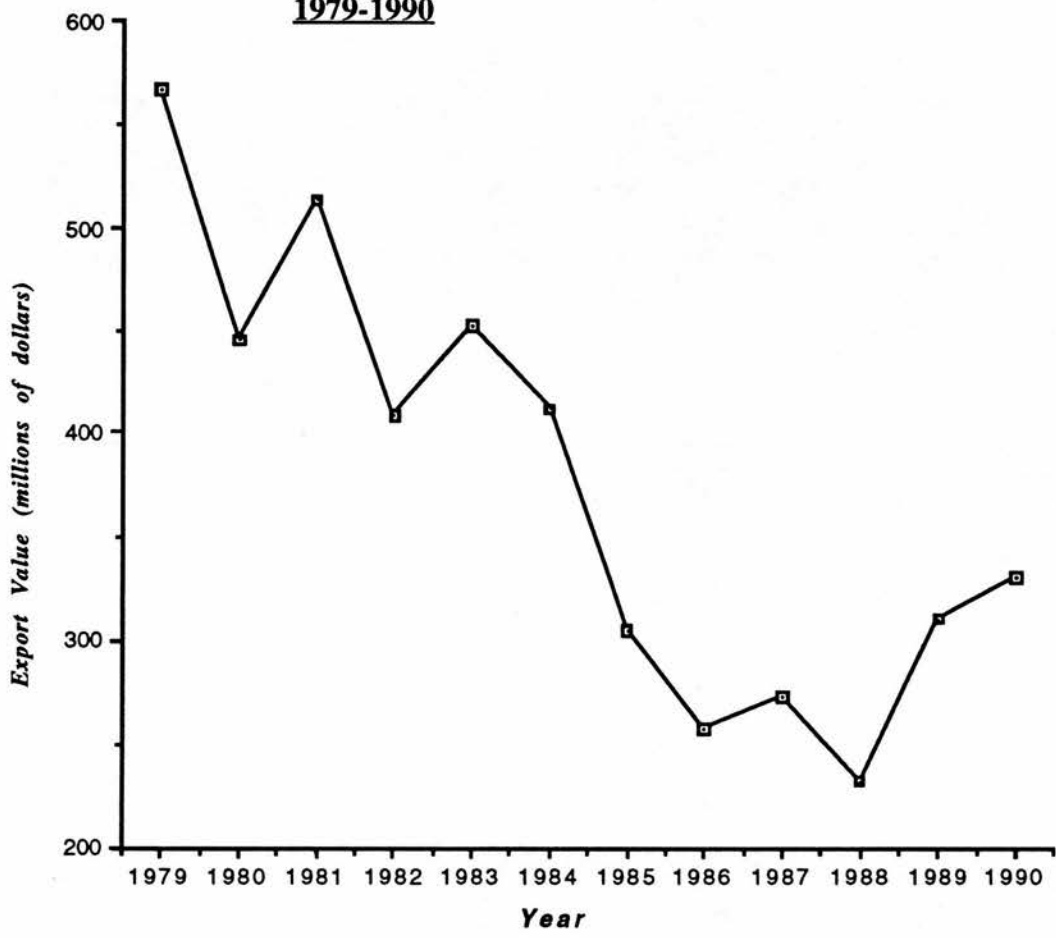
In addition, the Nicaraguan economy was severely affected by the severity of the international recession of the early and mid 1980s, suffering terms of trade losses crippling to such an export dependent economy. By 1988, the value of exports was only just over a quarter of the value of imports which represented a massive increase in the dependency of the economy upon external financing at a time when access to those resources was declining. The burden of Nicaragua's external imbalances was such that in 1988 more than 70% of imports were pre-determined, through ties to donor suppliers and specific destinations, and over half of projected exports for 1989 were precommitted to secure loans to pay for imports, together with substantial interest charges (SIDA, 1989:9).

6.6 Export Performance:

The trajectory of the major Nicaraguan export crops throughout the 1980s (in terms of the volume of production, the average prices received on the international market, and hence the value of production for each year) are provided in Appendix One. The figures shown there start from the year 1979 which, for comparative purposes (in a pre and post-revolutionary sense), is not ideal. This is because agricultural and industrial production in that year was substantially affected by the devastation of the war and the general insecurity of the situation in the country. In most cases this produced very low levels of agricultural activity, and hence production levels, in comparison with previous years, although in a few cases the general uncertainty led to a massive process of decapitalization which, in the case of the beef sector, actually led to record production levels.

Figure 6.2 shows the general trajectory of the income earned in the export sector during the revolutionary period. From the starting point of a total export value of over \$550 million in 1979, export earnings progressively fell to a low point of under \$250

Figure 6.2
NICARAGUA: Exports (value in millions of US\$)
1979-1990

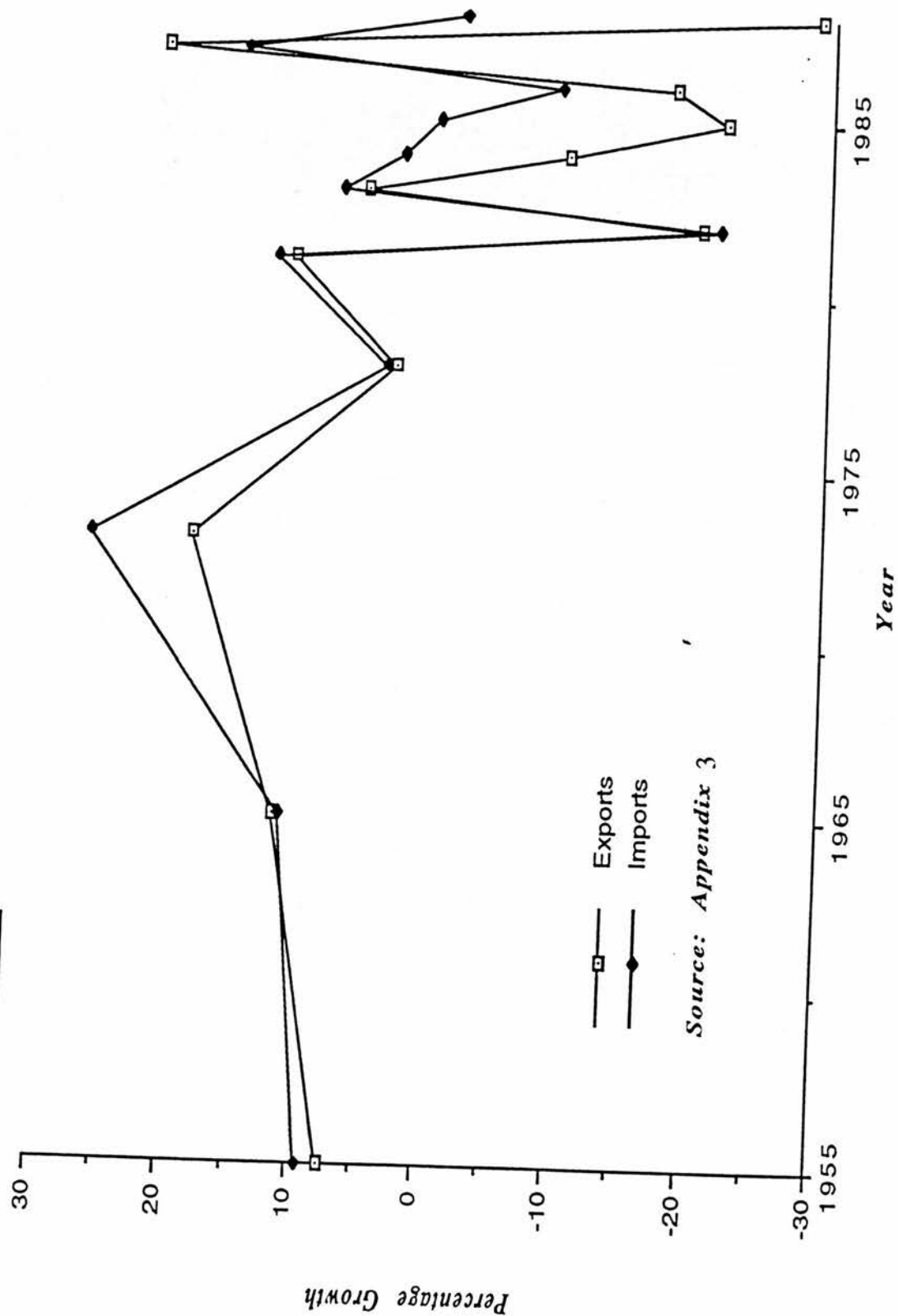


Source: Appendix 1

million by 1988, before rising slightly in the final years of the decade (although the downward trend had been arrested by slight improvements in 1981, 1983 and 1987). In order to put this negative trend into more of an historical context, Figure 6.3 shows the overall growth in exports since 1961, as well as the relationship of export growth to the growth of imports. As the graph shows, up until the 1980s, although import growth had tended to outstrip the growth of exports, they had remained on relatively similar trajectories. This trend continued in the 1980s, although import growth did remain greater than export growth throughout the period. This suggests that the increasing debt burden of the period reflects the collapse of export production rather than any undisciplined expansion in import levels (Goldin and Pizarro, 1988:26). As can be seen from the two graphs, the 1980s far from a success in terms of total export revenues or the overall rates of export growth. In sum, despite improved performances in 1981 and 1983, and again at the end of the decade in 1989 and 1990, the general picture is one of sustained decline. Furthermore, the traditional dependence upon agricultural commodities had intensified to an alarming degree by the end of the decade to the extent that in 1988 non-traditional exports (chiefly relating to the industrial sector) stood at only 16% of the peak value that they had reached in 1977-78 (SIDA, 1989:37).

The factors that underlay the development of this crisis within the export sector were many and varied and are analysed in detail in Chapter Seven with regard to each of the major export commodities. Here the basic factors at work can briefly be identified as: the detrimental changes in the international terms of trade facing the Nicaraguan economy; the collapse of the Central American Common Market; the devastation caused by the military and economic aggression of the US against Nicaragua, via the physical devastation and disruption of the war against the Contra, the necessity of devoting resources (human and financial) to the armed forces, and the imposition of the trade embargo; the inherent dislocations of any process of profound structural transformation; the difficult policy decisions that had to be made concerning the prioritization of the export or domestic agricultural sectors and between consumption or productive investment; government pricing policies towards the sector (producer prices, exchange rates, incentives and credit supply); and finally the articulation of the various classes of producer involved in each sector (the state sector, large private producers, cooperatives, small and medium scale private farmers and the more marginal peasant sectors) and the labour force that they depend upon. For clarity of explanation, and recognizing the problems involved in such a distinction, the major factors at play can be considered as either external or domestic in nature.

Figure 6.3
Nicaragua: Percentage Growth of Exports and Imports
1955-1988



6.7 External Influences:

6.7a The International Recession and the Collapse in International Commodity Markets:

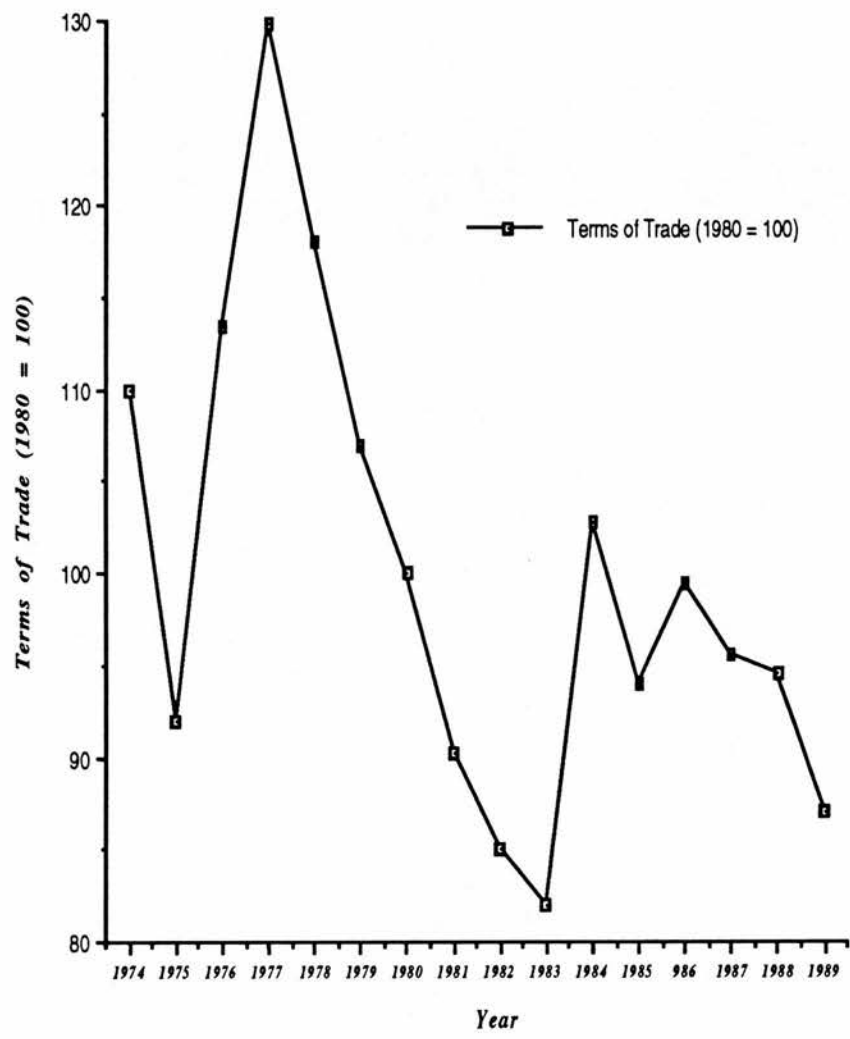
Nicaragua's dismal export performance during the 1980s must be seen in the light of the international recession and the collapse in commodity prices described in the last chapter. The first half of the 1980s were a dismal period for the economies of the Central American region. They had to contend with a severe collapse in international demand for their traditional export crops (evidenced by the fall in international commodity prices), massive increases in international interest rates, and high rates of inflation in the industrialized nations which led to increases in the cost of extra-regional imports and added to the already burgeoning regional trade deficit.

Figure 6.4 shows the evolution of the overall terms of trade of the Nicaraguan economy using figures from Ocampo (1990) (based on those of CEPAL). Ocampo suggests that, whilst the overall terms of trade moved against the Nicaraguan economy during the period since 1980, the trend was not that pronounced, with greater relative falls occurring in the late seventies due to the extremely high commodity prices of the mid-seventies. In fact, the overall terms of trade and their effects have been the subject of some dispute in the literature; often relating to the index year which different authors have used for their calculations. For the period from 1978 to 1984, Bulmer-Thomas provides a contrasting picture, with the terms of trade falling, from an index value for 1978 that was virtually equivalent to the base year of 1970, to a value of only 67.5 in 1984, reflecting a very strong fall in the purchasing power of Nicaraguan exports (Bulmer-Thomas, 1987:335, Table A.14). Other figures, quoted by Conroy (1987:178), appear to back Bulmer-Thomas' position, showing how the purchasing power of Nicaragua's exports fell by 49% in the first year of the revolution, and a further 18% from 1981 to 1984. Whilst the terms of trade turned against Nicaragua by 19.6% from the start of 1979 to the end of 1980 and a further 26.6% from 1981 to 1984. What these figures imply is that in order to import the same quantity of goods that had been imported in 1979 the Nicaraguan economy had to export 45% more in 1984 (Conroy, 1987:178). Goldin and Pizarro (1988:26) estimate that the terms of trade declined by 31.6% between 1980 and 1986. They go on to suggest that, since the growth in the trade deficit over the same period is roughly equivalent, the adverse movements of international prices are largely behind the growth of the trade deficit, rather than any growing imbalance between the volume of imports and exports.

What the foregoing discussion reveals is whatever the overall terms of trade for the Sandinista period as a whole, if one looks at the trends for the period 1977 to 1985,

Figure 6.4
Nicaragua: Terms of Trade (1980 = 100)

Source: Ocampo (1990: Table 10.3)



in particular, the decline was catastrophic, even given the fact that the starting year was particularly favourable to the economy (see the figures provided by Cabieses, 1986:149:Table 70). Table 6.6 shows figures that, as well as demonstrating the continued fall in export purchasing power from 1984 to 1988 (reflecting absolute volume declines as well as price movements), also compare the decline in export purchasing power in Nicaragua with the experiences of the other countries of the isthmus. The figures reveal strikingly the greater scale of Nicaragua's collapse in export earnings. The most important figures to consider, however, relate to the evolution of the international prices for Nicaragua's major traditional export commodities. Table 6.7 shows the evolution of these prices over the period since 1970, whilst Figure 6.5 presents the trends revealed by those statistics in graphic form. These suggest particularly severe price falls for sugar and cotton, less severe falls in the case of beef and (excepting a peak in 1986) coffee, and relatively high prices for bananas.

6.7b The Imposition of the US Trade Embargo:

The economic problems caused by the international factors considered thus far were considerably compounded by the imposition of the trade embargo placed upon Nicaragua by the Reagan Administration in 1985 and the cumulative effects of the war against the Contra.¹¹ The effects of the latter were painfully obvious. It has been estimated, for example, that around 16% of agricultural land in the three Interior regions (the zones of major conflict) had been abandoned by the Mid 1980s. During several agricultural cycles the supply of labour during the harvest months became problematic due to the number of individuals employed in military rather than productive activities. In addition, the widespread destruction of the nation's infrastructure in the major zones of conflict seriously disrupted the circuits of internal commerce as the ability of private merchants, and the arms of the state, to reach the

¹¹ Envio (September 1985:36) offers the following breakdown of the effects of the war on the agro-export sector in the years preceding the imposition of the embargo;

DISRUPTION OF EXPORT PRODUCTION IN MILLIONS OF US\$"

YEAR	1980	1981	1982	1983	1984	TOTAL
TOTAL	0.9	3.5	6.1	65.3	102.8	178.6
COFFEE	-	-	-	32.1	37.0	69.1
TOBACCO	-	-	-	1.9	1.6	3.5
LIVESTOCK	-	0.1	0.2	1.0	3.3	4.6
TIMBER	-	-	-	25.0	52.2	77.2
FISHING	0.9	1.2	2.8	4.0	6.6	15.5

Table 6.6 Central America: Export Purchasing Power
(indice - Base = 1970)

	1970	1975	1980	1985	1986	1987	1988
Guatemala	100	131	180	130	141	122	131
El Salvador	100	136	157	92	103	62	82
Honduras	100	92	146	128	148	137	150
Nicaragua	100	120	85	60	50	54	42
Costa Rica	100	116	150	150	184	171	176
Panama	100	117	455	411	533	555	555
CACM	100	117	144	112	125	109	116
Central America	100	117	196	162	193	184	189

Sources: Various CEPAL publications; Estudio economico de America Latina y el Caribe: Informes por paises, Informe anual sobre la economia latinoamericana, Anuario estadistico de America Latina, various years.

Table 6.7 International Prices Of Nicaragua's Principal Export Commodities (index, Base=1980)

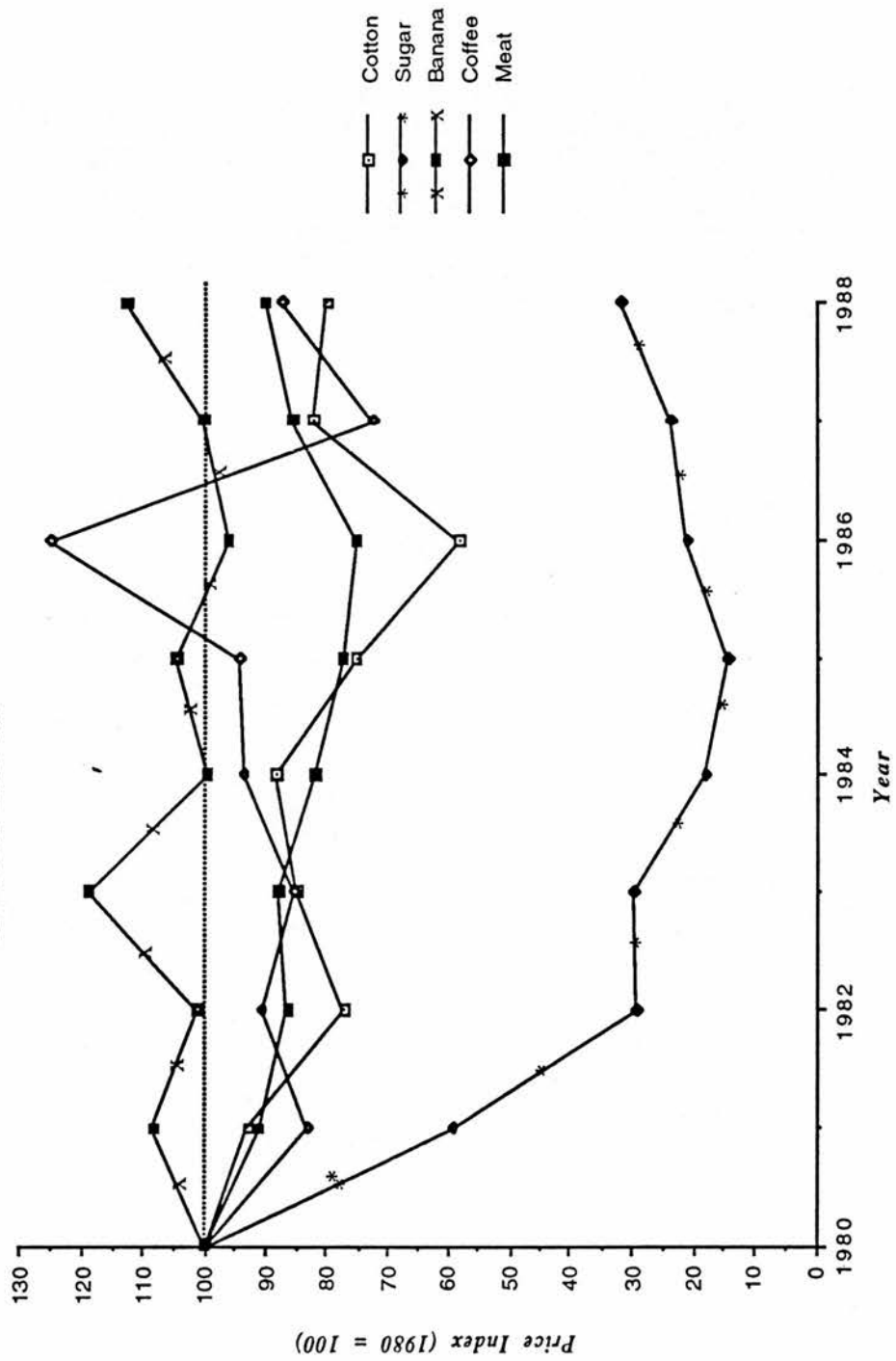
COTTON (1)		SUGAR (2)		BANANA (3)		COFFEE (4)		BEEF (5)	
	Index	Index	Index	Index	Index	Index	Index	Index	Index
1960	31.60	10.9	38.2	21.3	26.5				
1970	31.10	12.8	44.75	33.72	46.99				
1973	65.00	33.05	44.45	40.41	73.09				
1974	69.33	103.56	49.66	42.72	56.98				
1975	56.4	71.3	66.55	42.42	47.74				
1976	86.42	40.30	69.74	92.57	56.88				
1977	77.37	28.13	74.44	152.21	54.32				
1978	76.9	27.23	77.49	105.55	76.87				
1979	81.1	33.68	87.25	112.52	104.12				
1980	100.00	100.00	100.00	100.00	100.00				
1981	89.4	58.9	108.24	83.07	91.07				
1982	78.4	29.21	101.05	90.71	86.66				
1983	90.6	29.48	118.92	85.36	87.89				
1984	87.0	18.15	99.66	93.54	81.88				
1985	62.9	14.16	101.7	94.4	77.57				
1986	53.0	21.09	107.2	125.0	75.43				
1987	81.3	23.73	99.6	72.83	85.91				
1988	68.4	31.76	120.1	87.64	90.27				

- (1) US market price (1980 price = \$2014.3 per MT)
 (2) World market price (1980 price = \$631.00 per MT)
 (3) US price for LatinAmerican bananas (1980 price = \$373.8 per MT)
 (4) Other prices for smooth coffees (1980 price = \$3321.7 per MT)
 (5) Import price for beef on the US market (1980 price = \$2775.0 per MT)

Source: UNCTAD (1988) Handbook of International Trade and Development Statistics MT = Metric Tonne

Figure 6.5
International prices of Nicaragua's principal
export commodities (INDEX, Base=1980)

Source: as Table 6.6



areas of the interior were constrained (Utting, 1992:203).¹²

Whilst Nicaragua had enjoyed relatively diverse trading patterns at the end of the seventies, the US was still a major market for Nicaraguan exports and the source of many industrial and other economic necessities for the Nicaraguan economy. The loss of those export markets and import suppliers following the imposition of the embargo obviously had negative ramifications upon the performance of the export sector. New markets had to be sought, and quickly, requiring the presence of experienced international salesmen (this was problematic in the context of trained personnel flight of the period), information on market opportunities, and the utilization of new shipping routes, as well as new suppliers of industrial and agricultural inputs, spare parts and services.

Some of the effects of the embargo were painfully direct. the significance of the loss of the US market differed from crop to crop, but in some cases (for example, beef, sugar, bananas, shellfish and tobacco) it represented the loss of a considerable share of their traditional marketplace (in some cases up to 95% of total exports). However, even in sectors where the US market was of relatively little significance (e.g. cotton or coffee), the domestic processing of those commodities was heavily dependent upon US machinery, spare parts and maintenance; as well as for the supply of agricultural inputs and services.¹³ In addition, the necessity of selling in markets further afield heavily increased transportation costs and, in some cases, the level of processing required to ensure that perishable goods arrived in markets in a saleable condition; both of which effectively eroded the overall value of export sales to the Nicaraguan economy. At the same time, the need to rely on alternative sources of imports often inflated import values for the same reasons (Goldin and Pizarro, 1988:28). The changes in the composition of imports and exports during the period are provided in Table 6.8. The most important factors shown include, the loss of the US market (this fell from representing 28.4% of Nicaraguan exports in 1981 to less than 1% in 1987) and the collapse of the CACM (between 1980 and 1985 the proportion of Nicaraguan exports sold in the CACM fell from 15% to just over 6%). The share of exports going to the EC and to Japan were maintained (and reached higher levels in individual years), whilst new markets were found in Canada and the Eastern Block (between 1981 and 1987 the percentage share of each increased from less than 1% to 9% in the former case, and from 6% to 13% in the latter).¹⁴

¹² For further discussions of the wider effects of the war see Chapter Four.

¹³ In particular this affected the supply of fertilizer, pesticides and irrigation equipment (Envio, October 31, 1988:14)

¹⁴ The expansion of trade with the former socialist block allowed for a certain development of non-traditional exports under the auspices of ENIPREX (Empresa Nicaraguense de la Promocion de Las Exportaciones), although the non-traditional sector remained depressed for most of the revolutionary

Table 6.8 Nicaragua: Exports According To Destination (Percentage Of Total Exports)

	1981	1982	1983	1984	1985	1986	1987
CACM	14.9	14.1	8.4	8.6	7.0	6.8	9.0
Panama	1.1	0.4	0.3	0.2	0.3	0.2	0.3
USA	28.4	22.2	23.0	14.6	15.0	0.3	0.5
Canada	0.5	0.4	5.3	8.3	6.3	8.2	8.9
Japan	11.7	11.5	15.4	22.3	18.1	12.9	10.9
EC	32.1	32.7	24.3	26.6	32.7	42.9	37.3
Asia	7.2	5.3	2.2	0.3	1.1	1.8	0.8
Middle East	0.2	0.1	-	-	0.0	0.0	0.0
CAME	6.0	6.5	5.6	6.2	9.2	9.7	13.1

Source: International Monetary Fund, International Financial Statistics, Various Years.

period. The successes which were achieved included various industrial products (eg. tinned tomato concentrate, fruit juices, banana puree, metal goods, formol), liquor and several, mainly wooden, artisanal products (Rosario, 1990). Despite efforts to expand the production of non-traditional exports, especially in the agricultural sector, there were relatively few successes. As expressed by Ramon Cabrales, the Vice Minister of MEIC (Ministry of Economy, Industry and Trade; *"In this country... there is no exportable supply of non-traditional commodities. We have mangoes all over the place but they dont reach export quality.. We believe that first it is necessary to construct this supply."* (interview in *Revista del Campo*, 11th August 1989:6-7)

The economic aggression also had other aspects. From the earliest years of the revolution, the US administration had pressurized the international financial institutions, and individual aid donors, to refrain from lending or donating resources to the Nicaraguan economy. Arana et al (1988) outline succinctly the overall results of such policies.

"In the same way, the US-backed financial blockade has affected Nicaragua's capacity to obtain multilateral loans, thereby making Nicaragua more dependent on bilateral sources of credit (Conroy, 1985). Lines of credit tend to be tied to the export policies of the countries granting credit and are linked frequently to the purchase of certain products that are not always adapted to the needs of the receiving country. In Nicaragua's case, this phenomenon has affected productive efficiency in that the country has had to adapt to a myriad mix of new imported technologies. (Arana et al, 1988:56)

In some ways, however, the new markets that were found, despite the continued efforts of the US to get other countries to support the embargo, represented considerable mini-triumphs for the Sandinista government and the achievement of a desired diversification of economic relations even at a considerable economic cost. As expressed by Alejandro Martinez Cuenca, the former Nicaraguan Minister of Planning under the Sandinistas;

"The companies which had been set up abroad allowed us to penetrate new markets in Western Europe and Canada. Back when we could still export to the US market, marketing structures were being developed in the United States that allowed us to make contact with other suppliers of meat and seafoods operating from the United States. When the embargo was imposed, what we did was transfer our marketing operation from the United States to Canada. And later, we penetrated the European market by way of another company that we had set up previously. In that way, new sources of financing opened up which were very important from 1985 on." (Martinez Cuenca, 1992:42).

To summarize, the combination of the international recession and the growing intensification of the economic and military aggression of the US, meant that the FSLN were faced with severe external disequilibria which were crippling to such a trade-dependent economy. Despite the disagreements over the magnitude of the effects discussed above, it can be argued convincingly that the Nicaraguan economy was severely hit by the collapse of commodity prices and the international recession of the early 1980s, which had a strong negative impact upon total export earnings and commercial balances. The downward trend in commodity prices was accompanied, after 1985, by the loss of many of the economy's traditional markets and suppliers

through the imposition of the United States trade embargo.

6.8 The Domestic Policy Arena:

The changing terms of trade and fluctuations in the international markets for Nicaragua's major commodities were only one aspect of the problems faced by the FSLN in the reactivation of the agroexport sector during the revolutionary years. The overall volumes of production, the utilization of land, and the yields achieved in the sector during the revolutionary period were also, of course, of extreme importance. In this final section of the Chapter the wide-ranging debates that occurred within the FSLN regarding the direction of agrarian policy are explored through a consideration of the contradictory dynamics of the intended prioritization of the export sector and the concurrent desire to improve national self-sufficiency in basic grains and a detailed account of how those debates informed the evolution of economic policy and its consequent effects.

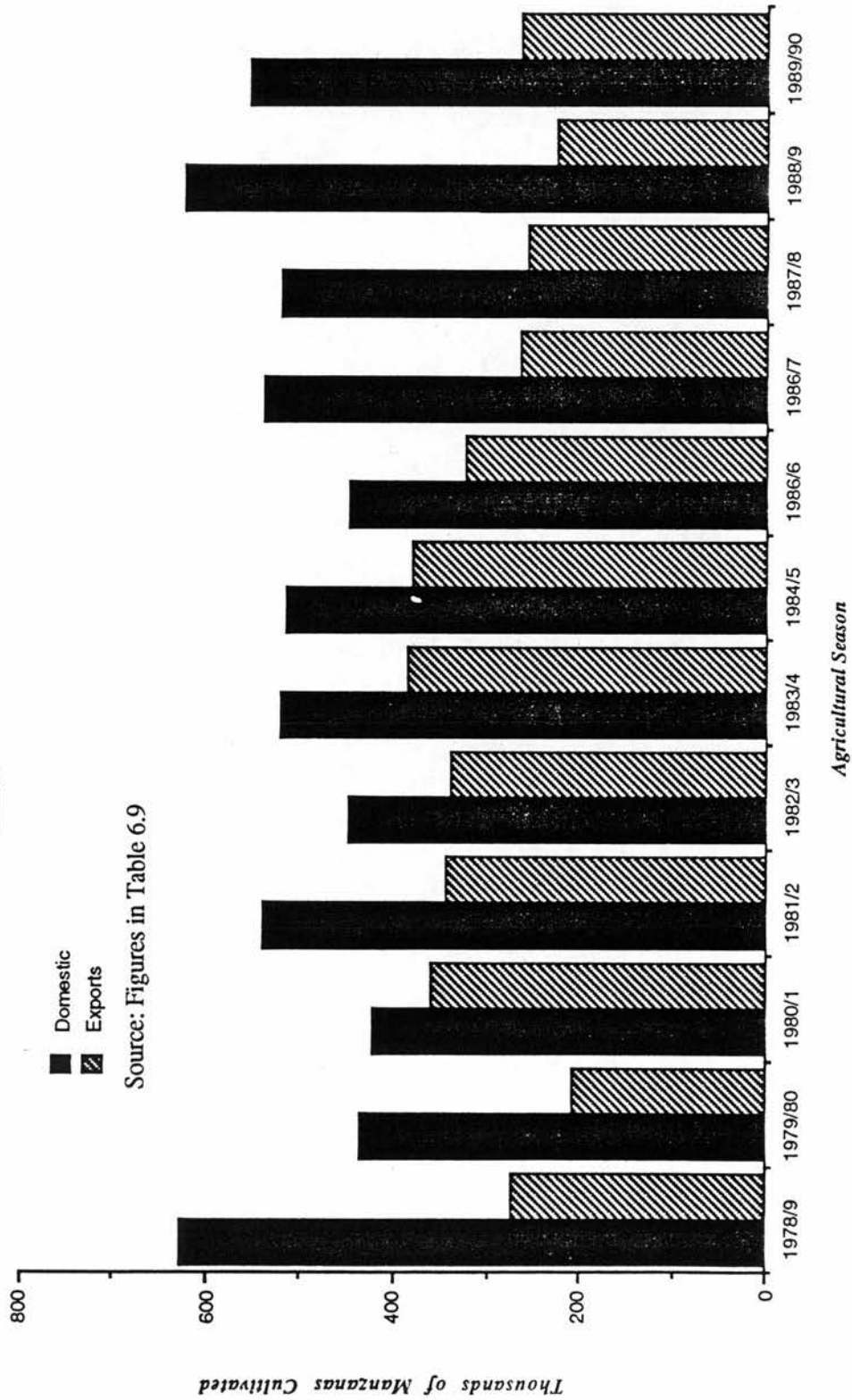
6.8a Overall Production Levels:

The productive performance of the export and domestic agricultural sectors during the decade of FSLN rule are displayed in Table 6.9 and Figure 6.6. The final insurrectionary phase of the revolution had coincided with months when ordinarily the planting for the agricultural season would have occurred, and the 1979-80 agricultural cycle was therefore heavily disrupted by the devastation of the conflict, and the decapitalization which had accompanied it. Thus, the level of total agricultural production for 1979/80, as shown in Table 6.9, declined sharply from that of the previous year, with the fall equally severe in both the export and domestic sectors. The physical damage to the economy had also seriously affected the transportation of produce, and the supply of inputs, and it had been difficult to attract sufficient workers for the harvest that year (Enriquez, 1991:85). During the years that followed there was a certain degree of recovery until around 1985; although the performance of the various commodities varied and different classes of producers had distinct experiences. By 1990, however, after five years of almost constant productive decline, due to the intensification of the war against the Contra and the effects of the growing economic crisis, total agricultural production levels were only three quarters of their pre-revolutionary levels and production in the export sector had fallen by fully 40% (SIDA, 1989:70).

Focusing attention specifically upon the traditional export sector, the evolution of total

Table 6.9 Nicaragua: Area harvested for the agricultural cycles 1974/75 to 1988/89 (thousands of manzanas)			
Cycle	Total	Agro-Export	Domestic
74/75	1064.3	434.5	629.8
75/76	941.8	399.2	542.6
76/77	1097.4	471.7	625.7
77/78	999.7	509.8	489.9
78/79	1089.9	458.2	631.7
79/80	712.8	273.1	439.7
80/81	783.2	359.2	424.0
81/82	885.4	345.6	539.8
82/83	789.2	337.4	451.8
83/84	906.6	384.1	522.5
84/85	892.9	377.4	515.5
85/86	771.1	321.6	449.4
86/87	804.6	263.8	540.8
87/88	774.4	252.3	522.1
88/89	866.3	234.2	632.1
Source: CIERA (1989), Volume 9:73			

Figure 6.6
Nicaragua: Evolution of Total Manzanas
Cultivated of Export and Domestic Crops
(1978/79 to 1989/90)



Source: Figures in Table 6.9

production levels are given in Appendix 1; whilst the total area harvested of each of the main crops is displayed graphically in Figure 6.7. The trends revealed in Figure 6.7 suggest that sugar cane, sesame and cotton production all experienced positive growth rates between 1980 and 1985 (although cotton production was still far below the levels achieved in the pre-revolutionary years), coffee, tobacco and banana's fortunes were more mixed, whilst beef exports declined, reflecting herd losses and misplaced government pricing policies. In the years following 1985, with a few exceptions, the picture was bleaker, as the economic and military crisis took hold of the country and production of any kind became more and more difficult (Wheelock in El Nuevo Diario 28/04/1989).

To consider in more detail the various explanations for the poor productive performance of the export sector during the 1980s the evolution of the FSLN's agrarian policy is considered in detail below through a discussion of the stages of economic policy and agrarian transformation which occurred through the 1980s.

6.8b The Revolution and Social Relations in the Agro-Export Sector:

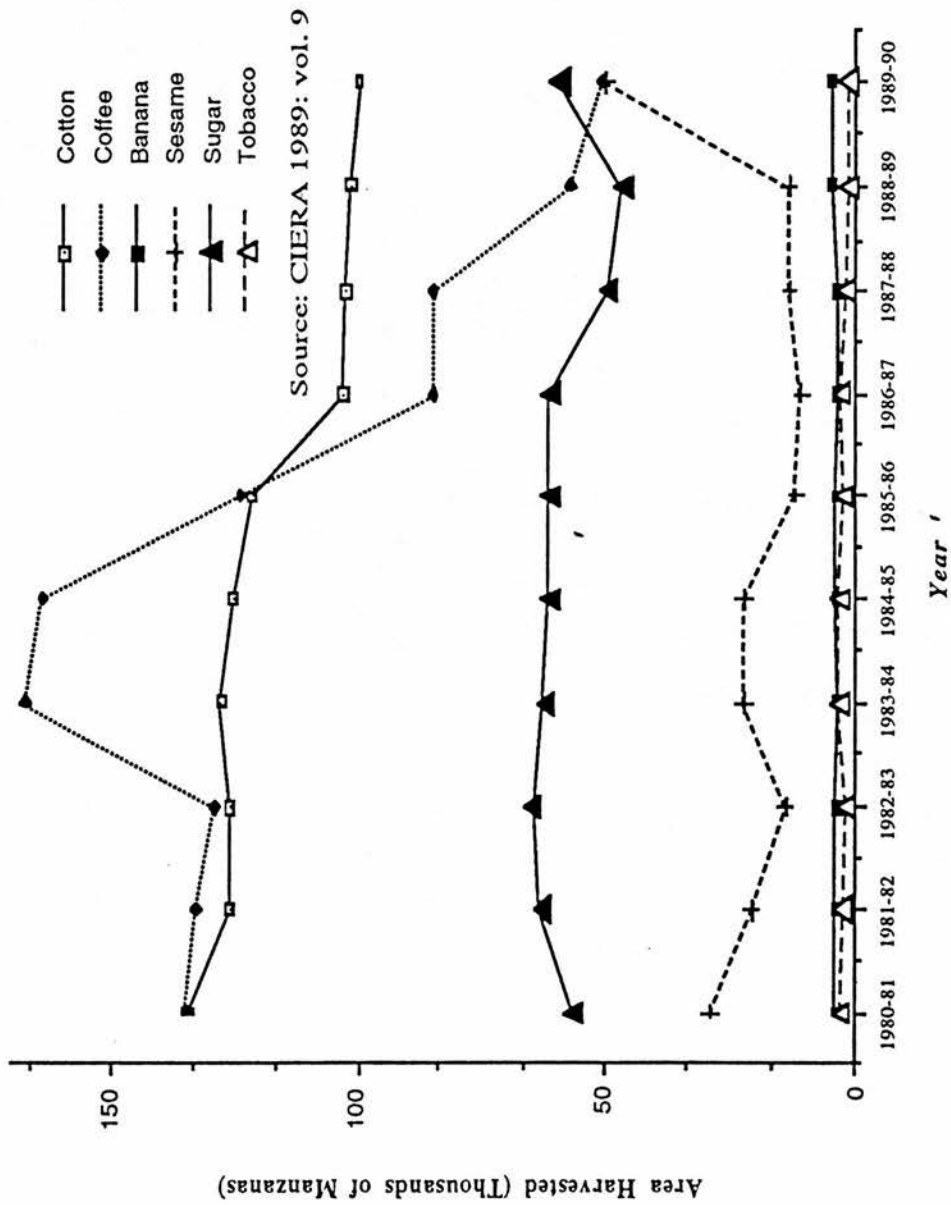
6.8b(i) Introduction

One of the major problems that faced the FSLN in meeting the simultaneous goals of economic recovery and social transformation was that the growth of the export sector (the key provider of the resources needed to develop the social programmes and subsidize the period of dislocations occasioned by changes in the relations of production) could no longer be based on its traditional mechanisms of the subordination of the peasantry and the extraction of cheap seasonal labour power (Clemens and De Groot, 1987:10). The fundamental quandary for the FSLN was the search for a strategy which could reactivate a sector, which had previously expressed the overarching domination of private capital and the dependence upon international market forces, in a way which would serve the interests of the majority of Nicaraguans.

Central to revolutionary efforts toward this end was the attempt to reduce economic exploitation through the radical transformation of the social relations that characterized agrarian class structure. For such processes to be directed in the intended way would

"depend, in part, on the availability of data to analyse the nature of existing class structure, as well as the revolutionary leadership's definition of 'exploitation'. These factors (and long-run transformation policies) also

Figure 6.7
Nicaragua: Area Harvested of Selected
Agro-export Crops 1980-1990



affect the design and results of short-run agricultural policy." (Zalkin, 1989b:575)

The final section of this chapter, therefore, details the debates that took place within the FSLN (and the research institutions associated with, or at least supportive of, them, during the course of the 1980s).about the nature of the social relations which characterized the agricultural sector.

6.8b(ii) Theoretical Debates about Agrarian Structure:

There has been a great deal of debate about the social formations which the Sandinistas inherited in the rural economy and different opinions held sway within MIDINRA (the agricultural ministry) at different stages during the 1980s. The consensus now appears to be that at first the FSLN severely over-estimated the weight of the large capitalist sector in the functioning of the rural economy, and, in particular, the level of semi-proletarianization of the workforce. At the same time, the importance of large sectors of small capitalist farmers, rich peasants and the poorer and middle peasantry to the production of export crops was underestimated, with consequent effects upon the direction and results of agrarian policy (Baumeister, 1985a; Zalkin, 1989a and b; Kaimowitz, 1988; although see Enriquez, 1991). Many of the controversies over the interpretation of agrarian social structure can be outlined from debates about how a major survey into the agricultural sector carried out by CIERA in 1980 and 1981 was undertaken, how the results have been interpreted, and what inferences have been drawn about the nature of social relations in the agricultural sector at the time of the revolution. Although the revolutionary process itself significantly affected those inherited social relations, these discussions are still important to understand because they underlay the various schools of thought that influenced the evolution of agrarian policy during the course of the 1980s.

Zalkin (1989a and b) argues that when the results of the survey were first examined in 1980/81, the methods of analysis used over-emphasized the degree of capitalization and differentiation in the rural population and under-estimated the complexity of social relations. Thus, he claims that, the initial interpretation of the survey (CIERA, 1980 and 1981 and other studies such as Deere and Marchetti, 1981), influenced by the model of 'agro-export capitalism' developed in the work of Jaime Wheelock (the FSLN's Minister of Agriculture, Wheelock, 1985), and

Orlando Nunez (the Director of CIERA itself, nd),¹⁵ suggested relatively high levels of capitalization in the rural economy and a relatively (semi-) proletarianized workforce. In other words, the vast majority of Nicaragua's rural population were seen to be 'strongly and directly connected to capitalist production.'¹⁶ The model suggested that the Post-War growth of the export sector had instigated a dualistic agricultural system, with a dominant landowning class that produced export crops and owned the vast majority of land, a relatively small proletarianized permanent workforce, and a large sector of, largely semi-proletarianized, peasantry that laboured on the large estates periodically and also grew the majority of food for the domestic market (Zalkin, 1989b:575). From this model, the agricultural economy could be characterized as fundamentally capitalist in nature, and involving a direct productive relationship between the export and domestic sectors.

The most important facets of social relations in the rural economy were, therefore, seen to be those that related to the conditions of wage labour. It was suggested that the repression of labour organisation during the Somoza period had enabled the payment of very low wages in the export sector (the source of the economy's comparative advantage), whilst the partial preservation of various forms of pre-capitalist social relations had also enabled the landowners to demand labour from those renting land from them, or in debt to them through other means.¹⁷

As time went on, however, other researchers working in CIERA and elsewhere began to question this dominant characterization of the rural economy through their own research. Whilst noting the massive transformations wrought by the expansion of export agriculture, and the partial capitalization of social relations it was accompanied by, it was suggested that the Capitalist Agro-Export Model generalized the experiences of the most technified sectors of the economy into an economy-wide model, which hid the wide diversity of social forms that characterized social relations. Thus Baumeister (1985a) argues that, although it was certain that the large capitalist farms and the semi-proletarianized workforce they relied upon, were

¹⁵ This model depicted Nicaragua's agricultural sector as having been dramatically altered by the influence of the capitalist transformation of agriculture, most essentially through increasing levels of social differentiation. Their studies were influenced by their detailed case studies of the larger coffee latifundia in Matagalpa and Jinotega (Wheelock) and the Pacific cotton farms (Nunez).

¹⁶ It was argued in the CIERA study that as much as 40% of the rural economically active population were fully proletarianized and another 37% engaged in wage labour part-time as semi-proletarians (Martinez, 1993:475)

¹⁷ These conceptions were heavily influenced by DeJanvry's concept of functional dualism (DeJanvry, 1981) whereby the continued access of a semi-proletarianized peasantry to a small plot of land (which is, however, insufficient to meet their subsistence needs) is seen as functional to the operation of the model of accumulation. Thus, individuals are forced to seek wage labour for part of the year, due to the inability of the land to which they are allowed access to meet their subsistence needs. The continued peasant access to that land, however, means that wages, in turn, do not have to be set at a subsistence level to ensure the reproduction of the labour force.

important to the functioning of the economy (especially in the more technical cotton and sugar sectors and the coffee haciendas of the Pacific), there were also wide-ranging relatively independent (at least in terms of direct productive relations) middle sectors (rich peasants and the lower strata of the bourgeoisie) that were of greater importance in both export and domestic agriculture than had hitherto been recognized (Zalkin, 1989b:593).¹⁸

Kaimowitz (1987) formalized Baumeister's work into an alternative 'Peasant Capitalist model'. However, he also took Baumeister's ideas a stage further in that, in addition to suggesting the existence and importance of Baumeister's middle sectors, he also argued that the poorest sectors of the peasantry (the semi-proletarianized) were less functional to the export sector, claiming that more than half of those harvesting cotton and coffee had no access to their own land. This suggested that the semi-proletarianized had a much more marginal position in the national economy than had previously been thought and that the level of proletarianization was considerably higher.¹⁹ This suggested a much less direct relationship between the export and domestic sectors than had previously been assumed (Zalkin, 1989c:618).

Zalkin himself suggests that the situation is more complex than either of the models allows for; with the export sector being characterized by such diverse producers as; capitalist landowners with access to both permanent and semi-proletarianized workers, rich peasants who also periodically hired labour from the semi-proletarianized, and a large group of poor and middle peasant export producers who neither hire nor sell labour. He argues that the poor peasants are, therefore, more functional to the export economy than envisaged by Kaimowitz, providing around half of the labour hired (although admittedly they may have had a less functional role in the large scale farms and a greater presence in the functioning of the rich peasants and small agrarian capitalists). In this way, Zalkin stresses that a relatively high percentage of the agrarian population do participate in capitalist relations of production, but also argues for the importance of 'simple merchant small-scale production' for various strata (in particular medium-scale peasants who have little involvement in the hiring and selling of labour). Furthermore, he also argues that the penetration of capitalism has varied widely around the country, with the highest levels of proletarianization existing in the Pacific (with over 70% of the peasantry engaged in some form of wage labour) then falling progressively through the

¹⁸ In particular it was argued that the initial CIERA study had classified as at least semi-proletarianized, any family engagement in wage labour, even if the vast majority of family labour time was involved in petty commodity production.

¹⁹ This position was also backed up by Vilas (1986).

mountainous areas of the interior to a level of proletarianization of less than 40% at the agricultural frontier. A resume of the different models of agrarian structure is provided in Table 6.10

It might be suggested that the Capitalist Agroexport model, whilst underrepresenting the role of smallholder production in the agricultural sector as a whole, does provide an effective framework for understanding the social relations specific to the most important parts of the export sector. There is a certain amount of truth in this. Nunez (nd) and Wheelock (1985) carried out their initial studies in the areas of most intensive export activity in the Pacific and the Central Highlands, and the model that evolved from their studies accurately represents the agrarian structure of the sector in those regions. However, coffee production and livestock rearing in particular, also include large sectors of smaller scale producers that engage in export activities, suggesting the relevance of the alternative conceptualizations outlined above.

In effect, what these discussions reveal, is the sheer heterogeneity of the export sector and its different nature in the various regions of the country (Bendana, 1991:40). A particularly useful local-scale example of the differential level of proletarianization in the various regions is provided by a study of Masaya published in *Envio* (September 1985). Even accepting the limitations of the national figures against which Masaya is contrasted (which were based upon the CIERA interpretations discussed above), the level of proletarianization of the peasantry of Masaya is clearly demonstrated by the comparative figures in Table 6.11. These figures reveal a level of proletarianization or semi-proletarianization of over 75% for Masaya as compared to a national average of only just over 66%. Accordingly, reflecting the greater level of landlessness suggested by the higher levels of proletarianization, the demands for land of the Masayan peasantry were particularly strong throughout the first years of the revolution, and the general fears of the Sandinista leadership about the effects of a deepening of the land reform process upon labour supply to the large estates, were heavily influenced by the particularly proletarianized nature of this area and the exceptionally vocal demands for land which were articulated by that region's peasantry. It is important to stress, however, that the lack of access to land in Masaya, whilst indicative of higher levels of proletarianization, hides the poverty of the Masayan landless classes. Thus whilst the Masayan peasantry had very limited access to land, by no means all could find employment on the local farms and the *Envio* article, referred to above, suggests that many were forced to travel into Managua and beyond in search of employment. The controversies which have surrounded the interpretation of Nicaragua's agrarian

Table 6.10 Alternative Conceptualizations of Nicaragua's Rural Social Structure 1978-80 (Percentages)

	The Agro-Export Model (CIERA, FIDA, Wheelock and Nunez)	The Peasant Capitalist Model (Baumeister and Kaimowitz)	The Middle Peasant Model (Zalkin)
Rich Peasantry/ Peasant Capitalists	4.7	32.5	17.8
Small Independent Producers/ Middle Peasantry	13.4	-	32.1
Semi-Proletariat/ Poor Peasantry	57.2	36.8	33.3
Agricultural Proletariat	24.7	30.7	16.8
Total	100.0	100.0	100.0
Sources: Adapted from CIERA (1989), Volume 4, Table 1, pp.15 and Utting (1992), Table 7.11, pp. 219			

Table 6.11 Class Structure of Masaya in Comparison with the National Average		
Class	Masaya	Nicaragua
Large Scale Producers	0.3	0.8
Small and Medium Scale Producers (Landowners employing some salaried labour)	4.8	8.9
Independent Peasantry (no selling of labour)	19.8	23.3
Poor Peasantry (Without sufficient land for subsistence)	41.6	36.5
Rural Proletariat	33.5	30.5
Source: <u>Envio</u> (1985, September: pp.5c)		

structure are important to grasp since those structures, in large part, determined the effectiveness of the thrust of agrarian policy and social transformation during the revolutionary years.

In summary, the arguments outlined in this section suggest that social relations in rural Nicaragua in general (and the agroexport sector in particular) are extremely complex and diverse. As well as the broad range of different sectors and the different forms of production engaged in, and the different dynamics of the various regions of the country, analysis is also complicated by the fact that any individual may participate in more than one form of production (capitalist or subsistence production) or in more than one position in the same social relation (for example as both a buyer and seller of wage labour, see Zalkin, 1989b:579).

These issues are returned to below with regard to the changes in agrarian structure that occurred during the 1980s. The following discussion places those debates within the context of the evolution of the FSLN's agrarian policy and the changes (intended and unintended; see Dore and Weeks, 1992a&b) that occurred in rural class structure during the course of the 1980s.

6.8b(iii) Debates about Agrarian Reform:

In years to come, one of the most enduring features of the transformations wrought in revolutionary Nicaragua will probably be seen as the changes in rural society occasioned by the wide-ranging agrarian reform programme instigated during the course of the 1980s. By the end of the decade, approximately 2,024,000 hectares of land had been distributed to 120,000 families (Martinez, 1993:475). The prevalence of the large haciendas which had dominated Nicaragua's rural sector, at least in the Pacific and the coffee producing and ranching areas of the interior, was dramatically reduced. Table 6.12 shows how between 1980 and 1988 the agricultural land under the control of the largest private landholders decreased from 36% to 6.4% of the national total. Regionally the transformations oscillated between areas where by 1988 the largest farms (those of over 500 manzanas) represented only 4 or 5% of total agricultural land (in Rio San Juan and the Pacific for example) to those where, for example in the case of Region V, they still represented as much as 18% (representing the importance of the large ranches of that region; Wheelock, 1989:6). A new state farm sector was also created and, more importantly, an important sector of cooperatives. Furthermore, a large number of small individual peasants received new or improved access to land through redistribution or the establishment of official titles to lands already farmed by individuals and the indigenous

communities. The changes in land tenure that occurred between 1978 and 1988 are revealed in Table 6.12.²⁰

This reform process was designed to meet the demands of the peasantry for land (although see discussions below), guarantee the self-sufficiency of the nation in basic foodstuffs, but also to rapidly develop the efficiency of resource utilization in Nicaraguan agriculture.²¹ Along with their commitment to the maintenance of agricultural production, then, the Sandinistas were also committed to the expansion of basic grain production and an improvement in the living conditions of the peasants that made up the bulk of such production. The FSLN, however, faced the dilemma of how to effect an improvement in the position of the peasant producers without completely undermining the basis of the relations of production which sustained the export sector. Enriquez (1991:chapter 4), therefore, arguing in a line strongly supportive of initial government perspectives, suggests that the political necessity of agrarian reform stood in contradiction to the government's efforts to reactivate and modernize agro-export production, through its negative effects upon the supply of seasonal labour to the large capitalist export producers and the state farms. The transformation of economic structures and the provision of basic consumption were dependent on the income earned in the export sector, and the expansion of export production, at least in the short term, was seen as still being dependent on the supply of cheap labour from the peasant sector.

The FSLN's adherence to the capitalist agro-export model of agrarian structure during the early years of the revolutionary period, accentuated the importance attached to these contradictions in the evolution of agrarian policy. Firstly, the model suggested that, since the production of export commodities was largely the preserve of the capitalist sector, and dependent for the supply of labour on the need for the semi-proletarianized masses to sell their labour power, then any extended

²⁰ It should be noted that, by the end of the decade, the size of the state sector had been much reduced from the level it had reached in the mid-1980s. In 1989 it represented around 12% of agricultural land, although during the Mid 1980s it had peaked at around 24%.

²¹ The rationale for the reform process was to be found in the marginalization of the nation's peasant producers throughout the consolidation of the agro-export model. The rapid development of the export sector in the period after the Second World War had induced a stagnation in the production of basic food commodities in Nicaragua. Before that time, the country had been largely self-sufficient in basic grain production, but the lack of attention paid to the needs of the peasantry during the boom years of the export sector, meant that per capita levels of basic grain production fell over the following decades (despite increases in some regions). Of particular importance was the transformation of the Pacific Region away from the previous dominance of basic grain production, and towards the concentration of land in the sugar and cotton estates and the accompanying dispersal of the small peasant producers to the poorer soils of the agricultural frontier. With each expansion in export production the average size of peasant farms decreased and the numbers without land rose. Thus between 1963 and 1972 the proportion of farms smaller than ten manzanas rose from 35% to 50%, whilst the number of middle sized peasant farms (those between ten and fifty manzanas) decreased from 37.4% to 28% (Enriquez, 1991:46-47).

**TABLE 6.12 Nicaragua: Structure of Land Ownership
(1978 and 1988)**

	1978		1988	
SECTOR	Area (000s of Manzanas)	%	Area (000s of Manzanas)	%
PRIVATE	8073	100	3708	45.9
> 500 manzanas	2920	36.2	514	6.4
200-500 manzanas	1311	16.2	725	9.0
50-200 manzanas	2431	30.1	1401	17.4
10-50 manzanas	1241	15.4	929	11.5
< 10 manzanas	170	2.1	137	1.7
REFORM SECTOR			3904	48.4
APP			948	11.7
Cooperatives			1115	13.8
- CAS			921	11.4
- CCS			133	1.7
- CT			24	0.3
- CSM			37	0.5
Land distributed to individuals			209	2.6
- Special Titling			1459	18.1
- Titling of Communal Indigenous lands			170	2.1
Abandoned Areas			459	5.7
TOTAL	8073	100	8073	100

Key:
 CAS = Sandinista Agricultural Production Cooperatives
 CCS = Credit and Service Cooperatives
 CT = Work Collectives
 CSM = 'Dead Furrow' Cooperatives (land held in common but farmed individually)

Source: CIERA (1989), Volume 9: 39

process of land redistribution would be likely to disrupt the supply of labour (Kaimowitz, 1987:150 and Garcia, 1990b). Individuals with new, or expanded access, to their own land were seen as less likely to desire or need to sell their labour power. This problem is clearly spelt out in the following quote from Enriquez (1991:57)²²

"This effect was particularly felt during the critical months of the harvest. FIDA (1980:146) characterized this dilemma in a discussion of the limited options open to revolutionary policy makers in their efforts to achieve economic reactivation and transformation: "The policy of strengthening and reorganizing the campesino sector tends to break one of the fundamental givens on which the functioning of the agroexport sector is based: the existence of a reserve labour supply whose low level of income and absence of alternative sources of employment has left them at this disposition of this sector for use during the agroexport harvests, without causing the sector additional costs during the rest of the year." Thus surfaced the contradiction between harvest labour requirements, which were essential to maintaining agroexport production, and the need for basic structural changes in the agrarian sector to bring about a more equitable distribution of the nation's resources."

Such fears underlay the FSLN's initial mistrust of any widespread programme of expropriations and, more importantly, the granting of land to individuals. Secondly, because the model suggested that the level of semi-proletarianization was relatively high, then it could be argued that improvements in the position of the rural poor could best be achieved through improvements in the conditions of paid employment. This could be achieved through the development of state productive activities, the freeing of labour organization and the provision of services to agricultural workers, rather than the redistribution of land.²³ The dominance of this perspective was also made apparent in the forms of popular organization encouraged in rural areas by the FSLN, who attempted to organize rural proletarians and smallholders together in the same organization, the ATC (the agricultural worker's union), despite their often contradictory interests (Kaimowitz, 1987:151, Deere et al, 1985:82-89, and Garcia, 1990b).²⁴

²² The FIDA Report referred to in the following quote had taken place during the initial agricultural cycles of the revolutionary period and had been directed by the internationally renowned agricultural specialist Solon Barraclough. The findings of the Report lent international institutional support to the dominant view of the semi-proletarianized nature of Nicaragua's rural economy and, possibly more importantly, the importance of the agrarian reform and other pro-peasant strategies in reducing the supply of labour to the export sector (Buitelaar et al, 1986:8).

²³ It was also argued that the improvement in working conditions could not be achieved through increasing the level of wages offered in the harvest because any such increases would have to reflect similar increases in the production of wage goods if they were not to lead to higher levels of inflation (Kaimowitz, 1987:149).

²⁴ One of these conflicts revolved around the decision of the ATC in November 1980 to pursue a campaign for more of the land of the state sector to be turned over to cooperatives. The medium-scale

As has already been noted above, however, the Sandinistas over-estimated the dependence of the sector upon the labour of smallholders, which made the contradictions appear considerably worse than they were. Thus Havens and Baumeister (1982) and Vilas (1986) argue that the harvest labour force was mainly composed of proletarians not semi-proletarianized peasants and, further, that pro-peasant strategies would not necessarily have a negative impact upon export levels, because of the weight of peasant production in certain sectors (particularly beef and coffee). They recognized the existence of labour supply problems but suggested that they primarily related to falling labour productivity rather than any processes of 'peasantization'. In particular, it was suggested that the lessening of the degree of exploitation of the rural labour force in the immediate post-revolutionary years meant that there evolved a less intensive use of the available labour supply. It was also argued that the priority given the mechanization of agricultural production within the investment programme would mean that any labour shortages would be only a short term problem.

Despite these arguments, the export sector, whilst not totally dependent upon semi-proletarianized labour, was certainly heavily dependent upon it in certain regions. In addition, Enriquez argues that even if harvest labour was primarily dependent on proletarianized sectors who had no access to land, this would not necessarily reduce the possibilities of labour supply problems, because those sectors would also be likely to return to simple commodity production if offered improved access to land or other measures beneficial to peasant production. Whatever the true nature of harvest labour shortages, they did continue to be a problem in subsequent harvest periods; a fact evidenced by the need for the state to encourage voluntary brigades of harvesters from the cities.

The debates over the level of proletarianization, the weight of small and medium production and, even more importantly, the incidence of those factors upon the likelihood of, and reasons behind, labour shortages in the export sector still remains far from concluded (for further debate see the sections on coffee and cotton production in Chapter Seven, an excellent article by Max Spoor (Spoor, 1990) and the previously cited works by Laura Enriquez, Michael Zalkin, David Kaimowitz and Eduardo Baumeister). The themes are returned to below in a detailed discussion of the major stages of agrarian policy during the 1980s and their effects upon the

landholders saw this as threat to the supply of harvest labour and a significant minority began to see the large capitalist sector organizations (such as UPANIC) as potential allies. To counteract this in April 1981 UNAG (the National Union of Farmers and Ranchers) was formed in an effort to unite the countries small and medium producers (Smith, 1993:170). See also the following discussions in this chapter about the role of UNAG in the later direction of the agrarian reform.

various strata of the export sector.

6.8b(iv) 1979-1985: State-led Accumulation and Initial Agrarian Transformation:

6.8b(iv)a The Role of the State:

In this initial period the most important aspect to agrarian policy was the attempt to improve labour conditions on the large private farms and the newly-formed state sector. One of the first acts of the revolutionary government had been the expropriation of the properties of Somoza and his associates. Initial estimates, based upon the importance attached to the large farms in Wheelock's analysis of the agricultural sector, suggested that these properties represented nearly 50% of the agricultural land of the country (in reality they constituted about 20%). Thus, it was assumed that their transformation into state farms would provide employment for a significant proportion of the semi-proletarianized workforce of the export sector (Kaimowitz, 1987:146-7).²⁵ As suggested above, arguments from within the party, and the demands of the peasantry, for the individual or collective redistribution of land, were strongly resisted due to a number of factors. These included, fears about the supply of labour during the harvest periods, concern that the individual distribution of land would make the later development of more cooperative forms of production impossible, and worries that any process of redistribution would lead to a deluge of land invasions, threatening national unity and the fragile alliance with the private section (see Chapter Four and *Envio*, September 1985, 8-10c). The government's position is clearly spelt out in the following quote from the Minister of Agriculture, Jaime Wheelock;

"If we distribute too much land, there will be a disequilibrium between agroexports and production for domestic consumption, between individual peasant property and state and large-scale private production..... We would prefer to maintain control over land and begin to drain the peasantry toward export production or modern plantation agriculture, with the peasant becoming a worker in the process. It is preferable for socio-economic and historic reasons that the land belong to the state." (Speech by Jaime Wheelock, May 1980, quoted in Kaimowitz, 1987:147-148)²⁶

²⁵ In fact the constitution of the state farms did increase employment opportunities and agro-industrial employment in particular rose 25% between 1979 and 1980. However, as Kaimowitz (1987:157-8) argues, the growth in employment did not benefit the majority of the rural poor. For example, one of the main groups benefited were sugar workers. This group already enjoyed more secure semi-permanent working conditions and higher wages than many of their counterparts in other sectors and in the initial revolutionary period many became permanent workers on the state farms. Furthermore, over the following years, although state farm production levels rose, this reflected increased acreage and mechanization rather than increasing employment levels. by 1982 large capitalist producers generated more employment per manzana than the state farms (Kaimowitz, 1987:179-80).

²⁶ Marchetti (1989b) contrasts the technocratic state-led strategy of Wheelock and MIDINRA with

In essence, the period to 1985 was characterized by the implementation of a technocratic state-led accumulation strategy. This was based upon the expansion and modernization of agro-export production in the newly-formed state sector and the large capitalist farms (and to a lesser extent production cooperatives) as a means of financing a mid-to-long-term process of economic restructuring through agro-industrial development and the expansion of popular consumption. As outlined again by Jaime Wheelock;

"The economic strength of the country must be based upon the industrial transformation of natural resources. If we persevere with this we shall be able to overcome the agroexport model.....

The new role of the Nicaraguan economy within the international division of labour must overcome its traditional characterization as a supplier of raw materials on the basis of cheap labour, in order to initiate the development of industrial products with greater value-added and which make better use of the comparative advantages which arise from our natural economic environment.....

Economic reactivation must be founded on modernization, principally of agriculture through irrigation, mechanization, genetic improvement and the rational management of the productive process." (Wheelock, 1989:7)

The nationalization of external commerce saw the state assume control of the commercialization of virtually all imports and exports, a sizeable and prioritized state productive sector was established, the APP (the Area of People's Property), and state control was exerted over the most important policy instruments, through which the access of the different types of producer in the sector to credit was controlled, exchange rates, interest rates and producer prices set, and the relations between employers and employees regulated. Within this strategy the state organizations of the APP were prioritized in the provision of credit from the national financial system (although there was also a dramatic expansion of credit to the peasant sector) and they were also the site of by far the largest proportion of investment projects.

The underlying model of accumulation initiated during this period was therefore dualistic, with the modern technologically advanced state and capitalist sectors leading the accumulation process and eventually absorbing the traditional peasant-based sector. Changes in productive structure and the rapid development of the forces of

the alternative pro-peasant strategy later articulated by UNAG, and authors such as Eduardo Baumeister and David Kaimowitz (see discussions below). He also presents an interesting parallel with the debates between Bukharin and Preobrazhenski about the New Economic Policy in Russia during the 1920s.

production were then to be complemented by the expansion of the administrative role of the state. This would be achieved through the gradual elimination of private commerce and the establishment of a state monopoly over the capture and marketing of domestic foodstuffs and export revenues, and the control of wages (which was made politically feasible through the imposition of official price controls and rationing to ensure the cheap supply of basic necessities; Fitzgerald, 1988:20). The lynch pin of this strategy was the attempt to restructure the insertion of the economy into the international system, through a large-scale programme of investments in agro-industrial production and the technification of agricultural production. To finance this, given the lack of private sector accumulation and investment, state current expenditure had to rise and, to a large degree, this had to be financed out of the projected future growth levels of the programmed investments themselves, although in the first years foreign aid flows had also been significant. (Irvin and Croes, 1988:33).

As argued in Chapter 4.7, for an initial period (1979-1982), the investment programme was largely limited to the reconstruction of the social and economic infrastructure and providing support for the short-term recovery of production. The following three to four year period, however, saw the implementation of an extensive programme of productive investment centred upon the newly formed state sector (and to a lesser extent, production cooperatives) where land was to be much more intensively cultivated through the doubling of the area of irrigated land, the large-scale mechanization of production, and the use of new seed varieties. At the same time the capacity for the processing of the major export commodities was to be greatly expanded and modernized (Kleiterp, 1988:7 and Irvin and Croes, 1988:34). The greatest weight of investment in the agricultural sector was given to the development of large projects in the cattle and sugar sectors; although there were also substantial investments in integrated rural development projects, tobacco, vegetable oils and basic grain production (Barricada 5th December 1983). Several of the largest projects had costs of more than \$100 million each, including the Tipitapa sugar mill and the Chiltepe dairy plant. One of the major disappointments of the Sandinista period was the failure of this imaginative and far-reaching programme of productive investment to stimulate to any great degree the performance of the economy.

Kleiterp (1988:3) points out an historical parallel in the Soviet case;

"Bukharin in the debate over industrialization in the Soviet Union in the 1920s.....argued that an overextension of capital expenditure will not be paralleled by construction activity of a corresponding size; will inevitably cause, after a lapse of some time, an interruption of the projects already started, will exert, in many directions, unfavourable effects on other lines of production; will exacerbate the goods famine all around; and will

eventually retard the tempo of development. Bukharin warned that with higher capital costs the completion time of projects would be longer and the productive effects of factories would to be much lower in the short-term." Kleiterp (1988:3)

All of these factors were to prove relevant in the Nicaraguan case. The large investment projects demanded a large portion of dwindling resources, without having a significant effect on concurrent production levels (the projects being geared toward new projects rather than the replacement or modernization of existing capital stock, Kleiterp, 1988:27). One of the problems was that donor countries preferred to finance completely new projects rather than invest in the modernization of existing stock. Also many of the projects had to have been on the verge of completion before any production could begin. Alternative smaller projects, with more immediate productive responses, were often abandoned as access to resources dwindled. In addition the performance of the prioritised state sector was far from successful, which represented a serious misuse of scarce resources. In fact the disappointing performance of the state sector and the problems the state faced in directing the process of accumulation more generally produced a number of major problem in the implementation of this initial strategy.

Firstly, the scale of state productive activities seriously over-stretched its administrative capacity.²⁷ Most top level economic administrators had fled the country after the revolution, which had led to problems of inexperience in the administration of the newly expanded state sector and the need for on the job training. The properties which were transferred to the state through the nationalization of the farms, industries and other business concerns of Somoza and his associates, were extremely diverse with different structures and forms of operation and their management required considerable skill and flexibility. All of this led to a higher level of centralization in the organizational structure and decision making processes of the productive activities of the state than would originally have been desired (Kruegar and Austin, 1983:3-6). Thus, although production levels on the state farms rose in this initial period, relatively little attention seems to have been paid to questions of efficiency, and with the control of budgets, investment decisions, and even wage levels, determined centrally it was often difficult to even approximate the level of production costs (Kaimowitz, 1988:123). The combination of these factors meant that the state sector failed to achieve the dynamic level of accumulation intended.

Secondly, the attempt to intervene widely in the day to day running of the economy

²⁷ For a more general discussion of the productive and managerial role of the state during the 1980s see Chapter Four.

introduced all sorts of disequilibria.²⁸ The FSLN had hoped that its usurpation and extension of the Somoza's monopoly over finance and commerce would enable them to control the accumulation process without necessarily directly controlling the majority of productive activities (Kaimowitz, 1988:121). The administrative limitations of the state, however, meant that its attempts to control markets ultimately failed. Basically the attempts by the FSLN to eliminate the exploitative aspects of market relations through direct intervention in the setting of prices and exchange levels and so forth also destroyed the allocative role played by the market without the provision of efficient alternative mechanisms. The institutional organization of the state also impeded the efficiency of planning, with a lack of inter-ministry coordination leading to the relatively independent operation of the key ministries and their occasional pursuit of directly contradictory policies. This produced the massive distortions in relative prices described in Chapter Four which had serious impacts upon overall economic efficiency (Spoor, 1992:17).

Thirdly, the central role of the state in the accumulation process created a lack of definition in the role of the other sectors. The case of the peasant sector is considered below, but the issue is important in relation to the private sector overall. Given the decision to legitimise the participation of the private sector in the transition process, the means of reproduction of that sector are important to consider. If too much surplus is extracted from private producers, and the availability of luxury consumption items is constrained, then the private sector has little incentive to produce efficiently (Kleierp, 1988:3). One of the major problems for the FSLN, throughout the revolutionary period was, therefore, how to effect the participation of the large capitalist sector.

6.8b(iv)b Relations with the Capitalist Sector:

Given their initial understanding of the agrarian economy, the FSLN also placed great emphasis on maintaining production levels on the large private capitalist farms, recognizing the need to offer sufficient incentives to such producers if their continued production in the dramatically altered situation of the post-revolutionary era was to be assured. Initially, in recognition of the importance of private sector technical and managerial skills, many of the high ranking positions within the national financial system, and other economic posts were occupied by reformist-

²⁸ Relatively few figures on the profitability of the state farms are available. However, those studies that do exist suggest that in 1980 the state farms made considerable losses which do not appear to have been substantially improved upon in later years.

minded individuals of the private sector.²⁹ However, it was also recognized that the private sector would be unlikely to risk their own capital under conditions dictated by the FSLN. Therefore, the provision of state credit to these producers was expanded at extremely favourable terms, and it was hoped that, through the use of these capital flows, private producers would continue to participate in the economy, even if only in a managerial role (Kaimowitz, 1987:148).

How to provide conditions for the profitable reproduction of the capitalist sector was a major dilemma for the FSLN. They were faced with the need to design policies which would provide suitable conditions for private sector production and reinvestment, in a context where many large producers were politically opposed to the revolution, would be unlikely to respond to the incentives offered, and more likely to search for means to destabilize the government and engage in decapitalization, whilst exploiting any economic incentives offered to them. As Colburn (1985:45) argues;

"Tension and uncertainty between the state and the private sector are further compounded by the difficult task of evaluating private sector compliance with state expectations and state-set norms. Private producers, confronting a cohesive and militant state, most often respond to ill-regarded policies not with open-confrontation tactics but with passive non-compliance, evasion, deception, flight and even subtle sabotage."

As the revolutionary period progressed private producers felt threatened by the emerging organization of labour, the expropriation of property, and the Marxist-Leninist rhetoric of the FSLN. The FSLN had to try to convince those large producers remaining in the country that, if they were to continue to produce efficiently, then their property would be respected. Colburn offers an interesting insight into the fears of the private sector toward their changing circumstances and the worsening relationship between such groups and the FSLN which evolved through to the mid-1980s;

"With the consolidation of the Sandinistas power, cotton growers and other members of the bourgeoisie began to fear for their futures. They increasingly felt that they were only accommodated because of their

²⁹ As the revolutionary era progressed, however, the participation of representatives of the private sector in economic administration declined. Nonetheless, the technocratic bias of the FSLN's economic strategy ensured the evolution of an expanded managerial beaurocracy, at least until the widespread rationalization of the administrative structure of the state in the economic reforms of the late 1980s

contribution to the economy, and once they could be dispensed with, they would be finished. Asked what the government wanted from the private sector, an entrepreneur replied, "Obey. Produce as long as I want you to. I'll cut your throat when I want. Be my servant. Do as I say until I'm ready to dispose of you." Such an attitude is common among Nicaragua's large agricultural producers." (Colburn, 1986:56)

To assuage these worries, and to try to stimulate export production, a series of incentives were offered to private exporters, especially following the ratification of the mixed economy strategy by the second Sandinista Assembly in 1982 (Vilas, 1986:160. Exchange policy was geared toward the provision of low cost imports, credit was made available extremely easily and relatively cheaply as interest rates were kept at levels below inflation, a system of guaranteed prices was introduced, and the continued presence of large numbers of harvest workers encouraged through the limiting of the agrarian reform process (Frenkel, 1991:163). Given the importance they attached to the rural labour force, the government also placed a strong emphasis upon the level of wages in the sector, both in terms of improving working conditions and the limitation of production costs. Thus although the minimum wage level enacted by the Ministry of Labour in the first year of the revolution effectively raised wages in the export sector by 30% in comparison with pre-revolutionary minimum levels.³⁰ In general terms, the government sought to control wage levels to avoid inflation and provide added incentives to the large capitalist producers. Thus greater attention was paid to improving working conditions rather than increasing monetary rewards. The minimum wage levels for the temporary harvest workers were, therefore, set and maintained at relatively low levels which some have argued served to further undermine the desirability of selling labour at a time when the possibilities for smallholders to survive through simple commodity production were improving (Enriquez, 1991:103).³¹ Despite the measures outlined, the policies developed toward the sector did not necessarily provide private producers with the necessary incentives. Private sector representatives consistently argued that the exchange rate was over-valued, which coupled with their lack of access to liquid exchange, acted as a disincentive to exporters. This disincentive was made more serious by the lack of security large

³⁰ Given the feeble nature of pre-revolutionary enactment of minimum wage levels, this actually represented increases of a much greater magnitude.

³¹ Agricultural workers did, however, gain from measures taken to improve working conditions. These included the provision of child care facilities and medical facilities in the harvest seasons, the improvement of workplace food and efforts made to reduce the abuse of pesticides. Many of these changes reflected the growing organizational skill of the ATC (Kaimowitz, 1987:160-66 and Garcia, 1990b).

private landowners had in their property status and the growing demands of the peasantry for land redistribution, the declining productivity and growing strength of labour organization, and the relative prioritization of the state and cooperative sectors in the distribution of credit, as well as the series of measures passed to control land rents.³²

One problem was the provision of inadequate producer prices for agricultural products, which do not seem to have been sufficiently offset by the easy and cheap availability of credit and the low price of imports. The use of guaranteed prices had been intended to protect producers from the vagaries of international market movements, but often proved too inflexible to provide sufficient incentive to the private sector to produce an increase in production levels.

Preferential exchange rates for exporters had first been systematically developed in February 1982, and were introduced at a level which was intended to cover the costs of production and a suitable rate of profit. Prices were fixed in accordance with international prices and were paid, one part at the official exchange rate, and one part at a less attractive level (Barricada 12th September 1983). In July of the same year special import rates were also introduced in favour of exporters, who enjoyed a rate of 15 cordobas to the dollar which lay between the 10:1 official rate of the government and the 28:1 offered on the parallel market (Cabieses, 1986:85-86).

In summary, therefore, despite the incentives offered, the productive response of the private sector was not great and, in particular, private investment retracted considerably in comparison with the pre-revolutionary period. Large producers certainly did face problems during this period but, in many cases, their sluggish performance reflected the conscious political decisions of individuals to limit production seriously questioning their prioritization within government policy.

6.8b(iv)c Relations With The Peasantry 1: 1979-82

"It will always be seen as one of the major cruelties of history that the government that most wanted to act in favour of the peasantry, was that which had to confront a bloody war, entering into conflict with the same historical subject that the Sandinista revolution claimed to represent."
(Bendana, 1991:13)

The attention paid to the state and large capitalist sectors meant that the thrust of

³² Between 1981 and 1986, for example, the proportion of agricultural credit which went to the large private sector fell from 43.9% to 27%; although this of course also represented the declining size of the sector due to the effects of the agrarian reform- see discussions below (Barahona et al, 1988:59).

initial agrarian policy, whilst involving the re-distribution of a certain amount of land, was primarily oriented toward the transformation of credit and marketing arrangements and the encouragement of peasant cooperatives and labour organization. Despite the evolution of these more favourable policies, the access of small and medium producers to capital goods and consumer products remained relatively depressed given the priority attached to the other sectors (Utting, 1988:40-41 and Kaimowitz, 1988:125). Support for the peasant sector during this period was basically limited to a series of ad-hoc measures such as, decreases in the level of land rents, the elimination of exploitative commercial intermediaries (through the nationalization of the export sector and the establishment of ENABAS, the state basic grain procurement agency) and, in particular, an attempt to improve and expand the provision of credit to the peasant sector (Kaimowitz, 1987:151). Throughout the Somoza period the peasant sector had received, on average, less than 10% of total disbursed credits in the agricultural sector. During the 1979/80 cycle the total credit offered peasant producers through the Rural Credit Programme expanded practically fivefold, and over 65% of the peasants registered in that cycle were receiving credit for the first time (Enriquez, 1991:94 and Barahona et al, 1988:54). Much of this expansion was directed toward the cooperative sector. The expansion was not, however, followed up during the following cycle. The recuperation in production did not match the resources offered to the extent hoped for and it became clear that repayment rates were extremely limited. The administration of such an expansion of the nation's financial system into areas of poor infrastructure caused all sorts of problems for the state. This meant that the supply of credit to peasant producers remained at a level which was proportionally less than the weight of the contribution of that sector to the value of production (Baumeister and Cuadra, 1986:181).

The lack of consistent access to inputs and services meant that the expansion of credit often rather than acting to increase production ended up as a consumption subsidy, increasing the level of inflation in rural areas (Enriquez, 1991:95). Their improved access to credit did, however, have the indirect effect of allowing small producers greater independence from the monopolistic financial sectors they had previously been dominated by (Kaimowitz, 1987:162).

Peasant producers were also able to take advantage of the state subsidization of agricultural inputs through the overvaluation of the exchange rate (Kaimowitz, 1987:166). They also gained from the new rent ceilings imposed by the government especially after the Spring of 1980 (Deere et al, 1985:83). This was particularly important in the most intensively farmed areas of export production where access to

land was at a premium and, therefore, rent levels had been particularly high. Rental ceilings were thus established which varied according to the crops to be produced and the region (MIDINRA, 1984:18). The measures affected a reduction in the non-monetary forms of land rental but were also problematic because it was difficult for the state to enforce the rental ceilings and the refusal of landlords to rent lands to small producers at the official rates (Enriquez, 1991:96-97 and Colburn, 1986:87-8).

Despite the transformations wrought in favour of the peasant sector and the worries which the government expressed over their effects upon the supply of labour to the export sector, the needs of the large groups of small and medium producers were often not met. The prioritized state sector had very limited links to the other productive sectors, despite the assumption of the government that the expansion of the role of the state, and its lead role in productive activities, would provide increasing jobs for the semi-proletarianized masses. As Utting (1988:42) argues, the attack on the exploitative role of the large private producers and various classes of unproductive intermediaries had the side effect of also affecting the reproduction of some sectors of the peasantry. Under Somoza, whilst the peasantry had been exploited and subordinated by those sectors, they had also been partially dependent upon them for their reproduction through the provision of credit, transport, foodstuffs, other consumption goods, and certain agricultural inputs. The relative failure of the state to substitute these functions, and the complicated nature of those state institutions which were set up, made life difficult for these producers and affected their access to essential goods and services.

"In fact on some state farms, where during Somoza's time workers received land to plant a subsistence garden, the state administrators had stopped this practice because they saw it as a backward and paternalistic form of exploitation.... (this) gave the state sector a very bad image to the peasants and left it open to anti-Sandinista propaganda attacks." (Envio, September 1985: pp.8c)

Despite the continuing debates within the FSLN about the negative effects of the agrarian reform upon labour supply, a certain level of land the redistribution of land had occurred relatively early on through the development of a new cooperative sector. By mid-1980 just over 2500 cooperatives had been formed (although the majority rented lands from the state and large capitalist farms). These were mainly of two types. Just over half were Sandinista Agricultural Cooperatives (CAS), where land was pooled between the members, and production carried out collectively. About a third of these were situated on state lands. The majority of the

other cooperatives were of the Credit and Service variety (CCS), where land was owned individually but members cooperated in order to receive collective access to credit and technical assistance (Enriquez, 1991:88-89).

On August 21st 1981, in response to the mounting dissatisfaction of the peasantry at the pace of land redistribution, The Agrarian Reform Law was passed.³³ This law legalized the expropriation of land from large estates if it was being used unproductively. This stipulation was again intended to limit any negative effects that land redistribution might have upon the level of export production on the large estates. The definition of 'unproductive,' central to the Law, was conceived of as land that was idle or under-utilized. This was defined as any farm which had not been farmed for two years, or on which less than 75% of its total acreage was cultivated. The law only applied to those units with more than 500 manzanas in the Western regions, Matagalpa and Jinotega, and 1000 manzanas elsewhere. Although some of the land expropriated passed into the hands of the growing state sector, because the Law was intended to meet some of the demands of the peasantry for land, the pace of redistribution to cooperatives and even individuals expanded after the Law was passed. However, the pace of expropriations enacted under the law was slow, and the redistribution of the affected properties even slower reflecting the continued prioritization of the APP, and debate over the appropriate form of productive organization of the expropriated land (Deere et al, 1985:94). In the first nine months of its existence only just over 230,000 manzanas were confiscated and only 20% of that land was redistributed to the peasant sector during the same period (Enriquez, 1991:89-90). Furthermore, the two years from 1981, saw the partial erosion of some of the improvements of the preceding years. Relative wages in the harvest decreased, as did the provision of basic goods to the rural areas. Access to credit also fell, as did the access of cooperatives to the rental of state lands (the original cooperatives lost 30% of their members during this period, Kaimowitz, 1987:181-186). Efforts were made to offset the effects of these changes through the provision of more favourable producer prices but generally such prices remained below the level of the other countries of the region (Martinez, 1993:478).

6.8b(iv)d Relations With The Peasantry 2: 1983-84

In 1983 there was something of a sea change in agrarian policy as confiscated

³³ One of the key moments in the articulation of demands for land came on February 17th 1980 when around 30,000 peasants and rural labourers from up and down the country converged upon the Plaza of the Revolution in Managua to demand the intensification of the expropriation and redistribution of land (Ruchwarger, 1988:230).

properties began to be distributed to cooperatives and the number of expropriations carried out under the auspices of the 1981 agrarian reform law was expanded. By the end of that year over 425,000 manzanas had been redistributed. Kaimowitz (1988:49) argues that in the preceding years the government had seen the existing cooperatives as competing with the state sector for resources and undermining the requirements of the export sector. As worries about the latter receded and the war intensified, policy toward the cooperative and peasant sectors began to be rethought and the CAS cooperatives in particular began to be given greater priority. Between 1982 and 1984 the proportion of agricultural land under the control of the CAS cooperatives increased from 2 to 10%, whilst between 1981 and 1983 their share of the total disbursement of rural credit increased from 6 to 23% (Kaimowitz, 1987:208-9).

In addition, attempts to consolidate the land holdings of individual peasants in the Northern Interior was massively expanded through the granting of official land titles in an effort to discourage the drift of certain sectors into the ranks of the Contra. By the end of 1983 nearly 200,000 manzanas had been titled in this way, and by the end of 1984, 30,000 families had received land. However, as argued in *Envío* 1985 (September: pp.11-12c), many of the plots which the peasants were given title to were not even large enough for subsistence purposes. In response to the escalation of the Contra War over the following months the government prioritized and expanded the level of individual redistribution and titling. By December 1984 nearly 2 million manzanas had been either redistributed or titled (66% of this total represented the latter). In essence, however, as Martinez (1993:480) argues in opposition to others, such as Kaimowitz (1987), the shifts in policy toward the peasant sector of this period did not really represent a re-evaluation of the role of peasant production in the economy writ-large. Rather, the provision of individual titles was still seen as a transitory step toward more cooperative forms of production and priority continued to be given to the large agro-industrial projects and the state farms in the distribution of investment.

In summary, the initial five to six years of the revolutionary period saw the implementation of a technocratic model of accumulation within the agricultural sector. The new enterprises of the state sector were prioritized in the distribution of credit and resources and also were the site of the major part of the substantial investment programme. At the same time a series of incentives were offered to the large-scale private exporters (including the cheap availability of credit, guaranteed prices and low cost imports) whilst improvements in the position of the salaried workforce were limited to improving working conditions and other non-monetary

benefits rather than any widespread improvements in wage levels. At the same time, the state attempted to intervene within the economy to control the direction of economic processes through the setting of exchange rates and other prices. The peasant sectors benefited from their improved access to credit, inputs and services (especially if they were organized into cooperatives) and the establishment of controls upon the level of land rents, but a lack of progress in the redistribution of land, the somewhat heavy-handed approach of the state toward the cooperativization of the sector and the adverse effects of its attempts to regulate markets (and the evolution of a cheap food policy which depressed domestic agricultural prices) all impinged negatively upon peasant producers and were factors in the slow drift of certain sectors of the peasantry into the arms of the Contra (Bendana, 1991:40).

6.8b(v) 1985-1990: The Strategic Alliance with the Peasantry and Economic Stabilization

The final five years of the Revolution were initially characterized by a re-evaluation of the role of the peasantry within the revolutionary process and a radical deepening of agrarian transformation. This, however, proved to be short lived, and following a series of economic reforms initiated in 1988, attention shifted toward the wholesale liberalization of the national economy and prioritization was given to ensuring the profitability and participation of the large capitalist sector.

6.8b(v)a The Turn Toward the Peasantry:

In 1985 there was a major turning point in FSLN policy toward the agricultural sector on two inter-related fronts. Firstly, as explored in detail in Chapter Four, that year saw major reforms in overall economic policy, with the government turning away from the policies of large scale intervention in the running of the economy toward policies which represented the partial reintroduction of market forces. Secondly, there was a reappraisal of overall agrarian strategies, and a movement away from the priority given to increasing accumulation in the state sector, toward a strategy based upon the expansion of the peasant sector, through a deepening of the agrarian reform and the reorientation of economic policies to give advantages to peasant producers. Investment priorities shifted from the large agro-industrial projects to the maintenance of existing capacity and providing support for the peasant and cooperative sectors (Kaimowitz, 1988:131). Both strategies represented the limiting of state intervention and were accompanied by processes of

decentralization and an attempt to give greater regional autonomy to the regional offices of government ministries and popular organizations (Kaimowitz, 1989). The economic reforms of 1985 were explicitly designed to transform the rural-urban terms of trade in favour of the peasantry.³⁴ Credit to small and medium agricultural producers was expanded and consumer subsidies on basic foods slashed. The number of privately owned rural retail outlets was expanded and the role of UNAG (the independent rural producers union) in the distribution of inputs and consumer goods expanded (Utting, 1988:44). The prices of these inputs were more closely monitored and the prices of the major peasant produced agricultural commodities increased and their marketing partially liberalized. Furthermore, the position of the more proletarianized sectors of the rural poor were also prioritized through improvements in harvest wages levels and an expansion in the supply of goods to the stores operated on the larger coffee and cotton farms. Utting (1988:44-45) also suggests that the wider role of state enterprises was extended during this period to encompass the provision of inputs, capital goods, technical and other forms of assistance (marketing and repair services for example) to all of the different property sectors in their locality.

The combination of these factors meant that the logic of the model of accumulation shifted in an attempt to improve the conditions of the peasantry, encourage their participation in the revolutionary project, and halt the drift of certain sectors toward the Contra. The shifts in policy reflected the emergence of a more flexible approach toward agrarian transformation and economic planning on the part of the government. The limited ability of the state to control the accumulation process in the desired way was recognized as well as the poor productive performance of the APP and the lack of responsiveness of the larger private producers to the incentives which had been offered to them. This was combined with an acknowledgement of the criticisms which had been made of the 'Capitalist agro-export model' which led to a greater recognition of the importance of smallholders to export production and the damage which the subsidization of food prices had done to basic grain production, this was reflected in a greater tolerance to a wider range of tenure forms within the reform sector and the partial economic liberalization noted above (Baumeister, 1991:235).

The changes in policy of this period also reflected the growing importance of

³⁴ As suggested in the previous section, peasant producers, whilst gaining from improved access to credit, inputs and services in the first revolutionary years, had still been left relatively starved of resources. They had also had to face markets with artificially low prices because of the government's commitment to the subsidization of basic food consumption (again reflecting the FSLN's overall bias toward the improvement of working conditions rather than the widening of opportunities for peasant production).

UNAG and their influence upon the government. One of the ways in which this influence was seen lay in the fact that UNAG's arguments against the FSLN's bias towards the most collective forms of cooperatives (the CAS cooperatives) were responded to, and the other non-state mediated forms of cooperatives (the CCS, CSM and CT cooperatives) were given greater priority in the following years (Martinez, 1993:480).

In addition to the changes in economic policy outlined, from 1985 the government began distributing land to individuals to a much greater degree than it had done previously. With 6,204 families receiving land in 1985, which represented more than the combined total of the previous years. Nearly ten thousand more received land as members of cooperatives. The same year also saw improvements in the level of harvest wages and further improvements in the supply of basic goods to the rural areas (Kaimowitz, 1987:228-230).

In 1986 The New Agrarian Reform Law was passed. Under this law the area that could be subject to expropriation was expanded, so that any farm, if underutilized, could be expropriated, regardless of the size limits which had been stipulated in the 1981 law. In addition, if it could be proved that the lack of production was not due to factors beyond the control of the landowner, then the expropriation would no longer be compensated. Two factors underlay the extension of this reform process. Firstly, the escalation of the Contra War had led to the displacement of considerable numbers of campesinos. In 1985, therefore, a resettlement programme had been put into operation and, in that year, over 200,000 manzanas were distributed to relocated peasants organized into nearly 230 cooperatives. The New Law was, at least in part, designed to facilitate the availability of more land to distribute to these groups. Secondly, analyses of the 1984 election results, had revealed that support for the FSLN had been particularly low in areas where there were still sizeable groups of campesinos without access to land. Finally, the deterioration in the relationship between sectors of the large capitalist class and the government meant that the new law was seen as a way of confiscating the lands of those who supported the Contra (Enriquez, 1991:157-9).

Following the extension of the reform process in 1986, there was a further consolidation of the cooperative movement in 1987. Nevertheless, in overall terms, during the period between 1985 and 1988, there was an expansion in the proportion of redistributed land which went to individual producers rather than cooperatives. Between 1982 and 1984 the average land distributed to individuals annually had been 11,000 hectares. This increased to an average of 99,000 between 1985 and 1986 (Utting, 1988:43). The evolution of the cooperative sector throughout the

revolutionary period is detailed in Table 6.13 (for more detailed treatments of the Cooperative movement throughout the revolutionary period see the various articles in *Encuentro*, nos 30 and 37/38, Ortega, 1990 and Ruchwarger, 1988).

During the 1986/87 agricultural cycle there were certain indicators that suggested the success of the new pro-peasant policy orientation. The area sown to maize and beans rose considerably over the period, although climatic factors and the war meant that production levels did not increase to the same degree. Between 1985 and 1988 the peasant and cooperative sectors increased their acreage by some 100, 000 manzanas, during a period when both the state and large private sectors either maintained or reduced the total land under cultivation (Baumeister, 1991:240).

Furthermore the 1986/87 coffee harvest saw the return of large numbers of coffee pickers, in response to the higher wages offered (although it could be argued that this could have reflected the declining possibilities of subsistence from other means; Utting, 1988:45).

The changes in strategy of this period were, however, partial and possibly came too late. By 1988 the Nicaraguan economy had descended to the brink of collapse and the reconstituted policies toward the peasantry were not sufficient to reverse the slide in to economic misery of large sectors of the rural population as the availability of resources declined and inflation repeatedly undercut the intentions of government policy (Plantinga, 1988:5). By 1989 the government had declared the end of the agrarian reform process as attention shifted toward the attempt to regain control of the national economy and the prioritization of the provision of incentives to the largest agro-export producers.

6.8b(v)b Austerity, Stabilization and the End of the Agrarian Reform:

The economic reforms initiated in the period from 1985, whilst representing an attempt to improve the relative position of the peasantry and link them more directly into the revolutionary process, also continued to try to stimulate export production principally through the establishment of a multi-tier exchange rate system (Ricardo, 1989:58). The February 1985 measures gave credit advances which covered 100% of the production costs of cotton producers and 80% of those for coffee and sugar producers. Quite how far these were used for the purposes intended and how much went to buy exchange on the black market is open to question and over the following years such concerns underlay the government's worries about providing further incentives and a continued worsening of relations with the private sector. During the following couple of years, as the economic crisis really began to take

TABLE 6.13 NICARAGUA : Basic data on the cooperative movement
(1982, 1986 and 1988)

1982 (1)				1986 (2)			1988 (3)		
Type	No. of Co-ops	No. of Members	Area (mzs)	No. of Co-ops	No. of Members	Area (mzs)	No. of Co-ops	No. of Members	Area (mzs)
CAS	512	7276	117517	1093	22035	615602	1170	23083	650432
CCS	1616	52711	895762	1487	47055	828257	1509	45443	760009
CSM	12	208	4476	104	2459	30560	85	2496	41823
CT	643	4353	92544	344	2638	59094	330	3893	92882
Others	66	1272	31630				57	1800	31079
TOTAL	2849	65820	1141929	3028	74187	1533513	3151	76715	1576224

Key:

CAS = Sandinista Agricultural Production Cooperatives

CCS = Credit and Service Cooperatives

CSM = 'Dead Furrow' Cooperatives (land held in common but farmed individually)
CT = Work Collectives

Sources: (1) Censo Cooperativo de 1982, CIERA, DGRA, BND

(2) Registro de Cooperativas, Direccion de Reforma Agraria, December 1986

(3) Information from the regional offices of MIDINRA

CIERA (1989: volume 9)

NB: Figures do not include special zones 1 and 2.

hold, large producers found their access to credit increasingly restricted, especially in contrast to the newly prioritized peasant sector. In addition, as the land reform intensified so many larger (and some medium-sized) landowners were less certain of the security of their property and consequently less likely to risk their own capital in production (Frenkel, 1991:163).

The economic reforms of 1988 and 1989 represented the continued intensification of the pro-market changes in government policy which had been initiated in the period since 1985, and their combination with severe mechanisms of economic austerity. The effects of these policies seriously weakened the consolidation of the peasant based strategy, as the limited resources to which the government had access were channelled into the provision of incentives for the export sector (and especially the large private producers within that sector). The state productive sector was also slimmed and reorganized, with the remaining state farms given much greater relative financial autonomy. Land was distributed from the state to cooperatives and individual peasants, and many of the 'showpiece' investment projects of the state were rationalized or abandoned. This process of rationalization involved the amalgamation of state enterprises into vertically integrated corporations, organized by product-type, and the slimming down of the role that state enterprises had previously played in meeting the needs of other producers in their locality, through the OTPI (the Territorial Organization of Production and Exchange). To compensate the peasant sector for the losses involved in the abandonment of the OTPI in 1988, the government established a system of CDCs (Peasant Development Centres) which attempted to establish services for local producers. Unfortunately, these centres were never sufficiently funded to compensate for the loss of the OTPI and never achieved the amount of cooperation from local producers in their organization which had been envisioned (Utting, 1992:186).

Attempts had been made to more rigorously adjust exchange rates in the economic reforms of 1985, and were combined with the expansion of dollar incentives to the export sector. Nevertheless, over the following years exporters continued to face increasing economic difficulties. The Reforms of the late 1980s recognized the damages which had been done to productive efficiency by the multiple exchange rate system and were designed to be preferential to the export sector, if only to those producing efficiently. The incredibly cheap access to imports had been an enormous disincentive to the efficiency of production, producing such farces as the fact that in 1987 it had been cheaper to buy a new tractor than to repair it (CAHI Update, Vol. 7(9), March 30th 1988: pp. 2). The multiple exchange rate system meant that in 1987 a cotton or sugar producer paid an average of 310 cordobas for a dollar of imported

goods and then exported their production at an average rate of 4000 cordobas per dollar providing a massive profit incentive but little challenge for efficiency. It also encouraged the replacement of labour costs with import costs, with consequent effects upon employment levels (*Envio* Feb. 23 1988).

The provision of cheap imported inputs had been intended to compensate for the ways in which the overvalued exchange rate offered little incentive for export activity, especially given the state's control of the distribution of the exchange which was earned. In fact SIDA (1989:37), the report of Lance Taylor and the other assessors behind the design of the austerity measures, went as far as to suggest that the policy effectively favoured domestic agricultural production over agroexports (ignoring the preferential treatment afforded to exporters in the other ways described above). As outlined in Chapter Four, the SIDA report was in essence a classical pro-export model built around a series of devaluations, and its success was dependent upon the large private producers making use of the new incentives offered (Weeks, 1993:35).

Following the June 1988 reforms, the exchange rate was readjusted to reflect inflation levels and was thereafter adjusted periodically (in an effort to avoid 'shocks'). At the same time producer prices were increased to try to cushion the export sector from the loss of the subsidised imports.³⁵ The biggest problem was the need to find a price level that provided an incentive, without encouraging inefficient production.³⁶

The reforms also attempted to restore a form of financial discipline to the provision of credit to all sectors of the economy. Before the revolution about a third of all agricultural production had received financing from the various sources of credit that existed. By the time of the economic reforms of the late eighties this had increased to the point where fully three quarters of production was facilitated by the national financial system. The investment programme and the supply of cheap imported inputs meant that the Nicaraguan agricultural sector had become the greatest consumer of capital goods in Central America and absorbed a much higher level of inputs (Baumeister, 1988:224). With the attempt to regain control of the provision of credit in the 1988 reforms, a major problem was how to ensure that the cultivation levels could be maintained. For the 1988/89 productive season the Central Bank announced

³⁵ Dollar incentives were expanded and their distribution was related to the quality of the crop offered for sale to the state plus an additional 25% of value in cordobas if an individual producer's exported volume surpassed the average volume of the previous three years (Pilarte et al, 1988:4)

³⁶ The February devaluation because of its abandonment of the multiple tiered system reflected a fall of between 2,700 and 14,285% and unified the exchange rate at a level of 10 cordobas to the dollar. Given the misunderstandings of the extent of the chaos in relative prices this still did not guarantee the profitability of exporters and eventually four months later a further devaluation was carried out that set a level of 80 cordobas to the dollar. The problem was that this new rate was introduced two months too late to have an effect upon improving the prospects for that agricultural cycle's planting which had occurred in April. The lack of incentive to export production which existed at that time was reflected in the disappointing export levels in that year (see Chapter Four and Pilarte et al, 1988a:4).

that credit would be available to farmers, but that it would only cover 80% of production costs, with the producers themselves having to cover the remaining 20%;³⁷ whilst concurrently, producers were faced with the massive rises in the costs of imported inputs caused by the devaluation. Gustavo Toruno (National Director of UNAG) explained at the time how such a contribution would be beyond the capabilities of all but the largest producers. Furthermore, the state farm administrators and large private producers were in a much stronger position to negotiate compromises from the Bank (CAHI Update June 7th 1988: 2-3). This meant that the credit restrictions of the period effectively broke the class logic of the financial system, hitting small farmers particularly hard. Eventually, in response to a proposal from UNAG, and some hard political campaigning on their part, the Central Bank agreed to retain 100% financing for the provision of agro-chemicals for coffee and cattle raising. Whilst cotton producers, who retained average productivity, would also receive 100% financing (Envio Oct. 31 1988).³⁸

In sum, the initial effect of the reform programme was to plunge the economy into severe recession (especially in those sectors producing for the domestic market and above all the industrial sector, see SPP, 1990), until the stability of relative prices was eventually achieved. A contemporary edition of CAHI Update, (Vol. 7(9), March 30th 1988: pp. 2), explains why the pro-export nature of the February reforms did not produce an immediate productive response from exporters;

"The changes mean that the cordoba part an exporter's earnings has doubled. But the cost of imported goods, e.g. machinery and pesticides, has increased thirty three times. Wages and local costs for fuel have risen five fold. Thus a coffee grower who might have been making a 75% return on his or her crop (excluding any personal wage) would now only be earning half of the current production costs. For coffee growers, whose investment in their trees requires them to maintain some production, the challenge will be to produce more and be more efficient."

Similar perspectives were expressed by exporters in meetings with the government;

"The Vice President of the Association of Matagalpan Coffee producers, Jaime Castillo, said to Barricada that at present the measures do stimulate production, but he thought that in a few days things would not be the same, because costs would suffer disproportionate increases....Francisco Javier Saenz, said, however, that the problem is not with the price of coffee, but of

³⁷ Cuenca (1989:23) suggests credit to the productive sector had fallen by 48% by the end of 1989, although when further restrictions were announced in January 1989, interest rates had been maintained below 20% for four months to avoid complete agricultural collapse (Análisis, no. 0, 1989:17)

³⁸ For a detailed discussion of the proposals made by UNAG for mediating the effects of the economic reforms upon the peasantry in the production of basic grains see Bluklan (1989).

the modification in the policies which lead to the deterioration of costs. "The problem, he said, is that we sell our coffee at prices with official parity with the dollar, but we must buy more expansively, according to the rhythm of the black market, that is not just." The Segovian rancher, Ulises Torres, said that the measure that benefited them came from the opportunity to sell their crop at parity with the dollar, but that the costs of transport and fuel seriously affected them." (Barricada 06/01/89)

The pro-export orientation of the reform packages finally produced a productive response in 1989 and 1990. Whilst 1988 had seen a collapse in export earnings (due to climatic factors as well as the effects of the economic reforms), in 1989 the area sown of some major agro-exports increased (except for a decline in cotton of -11.1%), export earnings rose in the same year by 25%, whilst yields were also up due to the good conditions that winter (Monterray, 1989:4, SPP, 1990:10 and Catalan, 1993:43). This reflected the capitalist sector's increasing sense of security, given the FSLN's announcement of the end of the agrarian reform process and the return of some confiscated properties, more realistic exchange levels, continued falls in the level of real wages, and the promise that the marketing of prioritized non-traditional exports would not be centralized under the state. As argued in Chapter Four, all of this represented a strengthening of the alliance between the state beaurocracy and the large private producers and a reduction in the amount of resources oriented toward the peasantry, coupled with an attack on the living conditions of the salaried workforce (Envio, May 1990, pp.30).

6.8c Conclusions:

This chapter has explored the productive performance of the export sector during the years of Sandinista rule within the context of the changes in the agricultural sector instigated by the wider evolution of FSLN agrarian policy. The discussion suggests the importance of both internal domestic factors and external forces and the articulation of the two in the generation of a profound crisis within the sector. The Sandinistas had inherited an economy severely dependent upon the income earned in the traditional export sector and a rural class structure which was built around the inequalities that had been generated by the historical expansion of that sector. Initial government policies, designed on the basis of a model which over-estimated the level of capitalization of productive relations within Nicaraguan society as a whole, looked to the development of state-centred accumulation strategy, where the prioritization of the state farms and large private export producers was seen as the means whereby exchange could be generated in order to finance a series of profound structural

transformations that would eventually overcome the legacy of the agro-export model. As the Nicaraguan economy came under increasing pressure over the following years, due to the depression of international markets and the onslaught of the Contra War, a group of other researchers began to question the government's strategies on the basis of an alternative understanding of the functioning of the economy which gave greater emphasis to smallholders and suggested lower levels of capitalization. The combination of these two factors, with the administrative problems and contradictions which had accompanied the initial state-led model, eventually produced a reassessment of government strategy and a brief re-orientation of agrarian policy toward the expansion and incorporation of peasant production under a deepening and widening of the agrarian reform process, as well as partial process of economic liberalization. The intensifying economic crisis eventually led to a further change in direction and an attempt to regain control of the economy through a severe series of economic reforms, designed primarily to savagely prune government intervention and expenditure and provide incentives to the traditional export sector. The various explanations for the poor productive performance of the export sector during the 1980s are considered in detail in relation to each of the traditional commodities in the following chapter.

Case Studies of Individual Commodities:

Building upon the general issues outlined in the previous chapter, the present chapter examines, in more specific detail, the evolution of the FSLN's economic and agrarian policy in the agro-export sector during the 1980s. The performance of four of the major commodities produced in Nicaragua (cotton, coffee, sugar and beef, which together accounted for 74% of Total Nicaraguan exports in 1985, see Appendix Two) are examined in turn, in order to illustrate the different problems facing the Sandinistas in each sub-sector, the effects of the revolution upon the social relations within each, the evolving overall levels of production, the balance between export and domestic production, and the differential impact of external factors.

7.1 The Coffee Sector:

7.1a Introductory Comments:

Despite periodic fluctuations, coffee exports have formed the backbone of the Nicaraguan economy since the end of the last century. The commercial cultivation of coffee had, however, developed much more slowly, and later, in Nicaragua than it had done in the other countries of the isthmus. Squier, for example, writing in 1849, refers to the backward nature of Nicaraguan coffee cultivation in relation to the rest of the region (quoted in Wheelock, 1985: 15-16, also see discussions in Chapter Three). During the following decades, however, coffee production began to gain momentum, in response to high prices in European markets, although never to such a scale as occurred in El Salvador or Costa Rica.

By the Mid 1890s, 25,000 manzanas of coffee were being cultivated in the country, of which 80% were in the Pacific region. Over the next 15 years, however, there followed a rapid expansion into the North Central region, which is now where the majority of coffee is produced in the republic.¹ After the First World War there followed a marked downturn followed, in turn, by slow recovery until the great depression of the 1930s. At that time, the decline in international coffee prices led to a severe stagnation in Nicaraguan production.

¹ Historical sources are unclear on precisely why this shift occurred, some suggest that climatic problems in the Pacific region led to the relocation of many of those producers to the North Central region, whilst others argue that the growth in the North Central region reflected the entry of new groups of producers (Gariazzo, 1983).

Investment plummeted and producers tried to compensate for their declining earnings by increasing the quantity and quality of the coffee grown, through continued expansion onto new lands and intensification of the exploitation of labour (via such measures as increasing the length of the working day, paying wages in food, and the manipulation of food prices in the estate shops). These factors meant that, whilst in 1926 Nicaragua had exported 17,000 tons of coffee, the revenue from which had represented over 60% of total Nicaraguan exports, by the end of the Second World War the total amount of coffee exported had fallen to a low point of just over 10,000 tons, which represented only just over 25% of total exports.

Production levels recovered in the Post War period, although the expansion of the crop lacked the dynamism of the newly emerging cotton sector. Thus, although by 1950 exports had recovered to a level of nearly 21,000 tons (representing fully 50% of the export total), during the 1960s and 1970s whilst the value of coffee exports continued to grow, the percentage that the crop represented of total Nicaraguan exports declined, as the level of cotton exports expanded much more rapidly and there was a diversification of production into the export of beef and sugar (see figures in Appendix 2). Nonetheless, between 1960 and 1978 the area planted in coffee still increased by 49% and production by 148% (Colburn, 1986:64). During the 1980s, as the fortunes of the other major export crops generally waned, coffee was once again to become Nicaragua's major export crop and the Republic's major source of foreign exchange, (the percentage contribution of coffee to total exports during the period 1961-1990 is included in Appendix 2; the figures for the earlier years quoted above are from Wheelock, 1985:234-235, Tables 6 and 8).

7.1b Coffee Producing Regions:

At the time of the revolution, coffee production in Nicaragua was still centred upon Region VI in the Northern Region which represented 35% of the total area cultivated in 1979, with regions I, III and IV providing 15, 12 and 15% respectively. The three major coffee cultivating regions (for locations see Map 2) can be considered as;

- 1. The Pacific Central region** (comprising Regions III and IV): This region is characterized by medium and large sized farms. Producers in this area enjoy some of the best soils of the country, display the greatest specialization in coffee production, employ the highest level of technification, and can make use

of a more developed infrastructure than coffee producers in the other regions. Due to these factors, coffee cultivation in this Pacific Region has consistently been the most productive in Nicaragua and occurs mainly in the regions surrounding Managua and on the Carazo plateau. In 1980/81 the region represented just over 20% of national production.

2. Matagalpa and Jinotega (comprising Region VI): This region is dominated by large traditional haciendas (but not exclusively, there is also a reasonable number of smaller-scale producers), where coffee cultivation is combined with the rearing of livestock. Nevertheless, despite the larger overall size of landholdings, coffee production has tended to occur in smaller units than on the specialist coffee farms of the Pacific because of the wider range of agricultural activities the landowners engage in. Production in this region is more problematic than in the Pacific, due to the existence of a longer rainy season; but is the most important region in terms of production totals (representing nearly 60% of national production in the 1980/81 cycle).

3. The Northern Interior (comprising region I): Coffee production in this region is characterized by small and medium scale peasant producers and represented about 18% of national production in 1980/81.

(All figures from Table 7.6 and Clemens and De Groot, 1987:14).

7.1c Characterization of the Nicaraguan Coffee Sector:

At the time of the revolution, although coffee cultivation had been an important, and, at times, *the* most important, economic activity within the Republic for many decades, production continued to be somewhat underdeveloped with relatively low levels of mechanization and low yields. The location of much production in the mountainous regions of the interior precluded mechanization beyond very rudimentary levels, and technological developments were ostensibly limited to the application of fertilisers, and the use of some higher yielding, newly developed, varieties. Nevertheless, in general terms, even the larger coffee estates had continued to grow traditional varieties of coffee (such as Bourbon or Arabica) rather than more modern varieties such as Catuna (Plantinga, 1988:4).

During the revolutionary period great store was placed on modernizing the agricultural sector and the coffee sub-sector was no exception to this trend. Unfortunately, given the productive structure of the coffee sector (see below), the large numbers of small and medium sized farmers were often unwilling to adopt new varieties (because of the greater use of inputs that they require to

improve or even maintain yields) or did not have the resources to risk the possibility that new productive strategies or varieties would not increase yields sufficiently to meet their additional costs. Because of this, and the inability of the government to finance further investment in the state sector, coffee production in Nicaragua has remained relatively backward, despite several grandiose modernization schemes during the revolutionary years. Monserrat (1989:87) suggests, that of the land turned over to coffee production, only 30% could be considered as 'technified' and 14% 'semi-technified,' with the remaining 56% characterized as still using mainly traditional methods of cultivation. Even the coffee processing facilities in Nicaragua are largely of a rudimentary nature. This argument, however, does hide the way in which production in the Pacific (and some of the large estates of the interior) had intensified during the expansion of the Post-War years, and a particular strata of producers had technified their production to the extent where they had managed to obtain yields up to six times higher than those of most traditional producers. A more complete evaluation of the level of technology of the various strata is shown in Table 7.1. Despite the partial technification indicated, the table shows that the sector remained dominated by smallholders (with 85% farming ten manzanas or less) with low levels of technological development and consequently relatively low yields. Colburn (1986:66) suggests that 63% of the area planted in the Pacific region, and 50% in the Central region, maintained yields of less than seven quintals per manzana. Due to all of these factors, and their combination with climatic problems in the Northern Pacific and Northern Interior regions, coffee cultivation in Nicaragua has continued to operate at very low levels of productivity when compared to the other countries of the region (see Table 7.2). The modernizing impulses of the initial revolutionary years saw some improvement in the average yields attained, but these were to be short lived, given the limits imposed on further modernization by the economic crisis and the disruption to production occasioned by the Contra War.

7.1d Inherited Social Relations in the Sector:

As outlined in Chapter Three, the expansion of coffee cultivation at the turn of the last century introduced fundamental changes to Nicaragua's rural economy. The period of Conservative hegemony following the Walker debacle, and the Liberal regime of Zelaya which followed at the turn of the century, had encouraged and facilitated the development of coffee production, through

Table 7.1: Nicaragua: Size of Coffee holdings and Use of Technology

	Traditional (%)	Semi- Traditional (%)	Modern (%)	Total (%)
Small Producers	86.6	6.7	6.7	100
	(70.3)	(12.5)	(9.5)	
Medium Producers	41.2	47.0	11.8	100
	(18.9)	(50.0)	(9.5)	
Large Producers	14.8	22.2	63.0	100
	(10.8)	(37.5)	(81.0)	
Total	(100)	(100)	(100)	
Source: Colburn (1986:66: Table 5)				

Table 7.2 Regional Comparison of the Productivity of Coffee Cultivation (Kg per Hectare)

Nicaragua	573
Costa Rica	1,407
Guatemala	1,030
El Salvador	882
Honduras	600
Mexico	427
United States	1,178
Source: FAO, Production Yearbook, 1981	

measures which initiated the commodification of land and labour in the areas where coffee cultivation was developed. This occurred through the consolidation and expansion of the traditional large estates in Matagalpa and Jinotega in the Northern-Central Region. This process occurred through the dispossession of the indigenous communities and other small peasant producers who were forced to become at least partially dependent upon the sale of their labour power to the estates if they wished to remain in the region. The process of labour commodification initiated in this way was, however, only partial, and many peasants retained a limited access to land (although, in general, this was not sufficient to provide for their subsistence, ensuring the necessity of their seasonal participation in the coffee harvest as wage labourers). Even those who migrated out of the area, toward the agricultural frontier, often returned to the large estates to work in the harvest periods.

This depiction of agrarian structure is familiar from the discussions of national agrarian structure in Chapter Six. The majority of the initial studies of the evolution of Nicaraguan coffee production drew heavily upon the experiences of this Northern Central region. These often stressed the dominance of the large traditional haciendas in the sector and the continuation of many non-monetary mechanisms for ensuring labour supply on the haciendas of the region, and some, for example Enriquez (1991), have generalized these observations to suggest that coffee production on the national scale is also largely dependent upon the continued existence of pre-capitalist social relations and a semi-proletarianized peasant workforce. The dualistic distinction thus drawn between large landowners and a largely semi-proletarianized peasantry is certainly characteristic of coffee production in this region. Nonetheless, although this region constitutes the largest proportion of Nicaraguan coffee production it should be stressed that the expansion of the commodity in other areas of the country had somewhat different dynamics (DeGroot and Clemens, 1991:86-87).

Thus, others commentators (such as Kaimowitz, Baumeister and Zalkin referred to in the preceding chapter) have, as seen in Chapter Six, argued against the generalization of the dualistic model as an explanatory framework for the evolution of the sector in the nation as a whole. In particular, they point to the fact that in the more technically advanced medium-sized farms of the Pacific, the workforce tend to be more proletarianized (enjoying considerably less access to land and much more heavily dependent on the sale of wage labour than the semi-proletarianized peasants of Region VI) than allowed for in the

dualistic model. They also stress the existence of an important sector of small and medium producers in the Northern Interior, mainly dependent on familial or small amounts of wage labour (see Table 7.3). This more heterogeneous characterization of the Nicaraguan coffee sector is reinforced by the observation that large-scale coffee production is of lesser importance in Nicaragua in comparison to the other countries of the region. For example, in 1976/77 those Guatemalan farmers producing over 1800 Quintales of coffee represented 72% of national production, in El Salvador the equivalent figure was 60%, whilst in Nicaragua it was only 30% (Baumeister, 1985b:4)

The main point to be made, therefore, is that Nicaraguan coffee production has never been homogenous and, indeed, the crop is produced under a wider range of conditions than any other in Nicaragua (Colburn, 1986:62). The size of the land holdings of those cultivating the crop differs considerably, as does their utilization of labour, and the class status of those undertaking that labour. The figures in Table 7.4 suggest that the intensity of cultivation in the Pacific has ensured the greatest level of proletarianization in that region, whilst semi-proletarian labour is more important in the Northern Interior and the Matagalpa/Jinotega region. In the former case this represents the use of the labour of other peasants (mainly basic grain producers) by small-scale coffee producers, and in the latter the use of semi-proletarianized labour by the traditional livestock-coffee haciendas (DeGroot and Clemens, 1991:86-87).

7.1e The Wider Economy and Coffee Production:

Social relations in the sector also reflected the processing and marketing of the coffee produced, with many of the smaller and medium-scale producers tied into exploitative relations with intermediaries, financiers and processors. After harvest coffee is taken to a local processing plant for washing and drying. At the time of the revolution there were around 112 of these 'beneficios,' as they are known, and these were often owned by those who controlled the export agencies. There were fifteen of these agencies, but the largest five monopolized two thirds of all the coffee exported (Enriquez, 1991:62 and Gariazzo et al, 1983:20). The more technified Pacific Region demonstrated the most direct relationships between the producer and the processor, where the owners of the latter were mainly the producers themselves, hence, here there were really no intermediaries, and nearly 90% of producers sold their unprocessed coffee directly to those producers that owned the beneficios. In the Central and the

Table 7.3 Nicaragua: Land Holdings and Coffee Production in 1979

Strata	Average number of manzanas cultivated	Number of Farms	Percentage of Farms
Large-Scale Capitalist Producers	> 65	4,572	18.6
Rich Peasants	7.85	6,308	25.6
Medium Peasants	3.7	10,154	41.3
Poor Peasants	2.1	3,565	14.5
Total		24,600	100

Source: CIERA (1980) 'Las Clases Sociales en el Agro'; quoted in Gariazzo et al (1983:5)

Table 7.4 Class Characteristics of the Labour Force in Coffee Production 1980-81 (Percentages)

Social Class	Central Pacific	Matagalpa/Jinotega	Northern Interior
Semi-Proletarian	25	33	50
Agricultural Proletariat	31	41	27
Non-Agrarian Proletariat	44	26	23

Semi-Proletarians are defined as devoting at least 10% of family labour time to their own cultivation (be it coffee, other export crops or basic grains) and less than 50% to wage work. The Agricultural Proletariat dedicate more than 50% of their family labour time to agricultural wage work; whilst the Non-Agrarian Proletariat devote more than 50% of their family labour time to non-agricultural wage work.

Source: Clemens (1987:21)

Northern regions, however, there was traditionally a greater role for intermediaries who, at times, also financed production. For example, one single firm commercialized over 50% of coffee production in Matagalpa and Jinotega and its interests ranged from financing, through processing and the provision of inputs and machinery, to purchasing and commercialization (Vilas, 1986:77). Their monopoly control over commercialization and finance meant that the dominant commercial sectors of the elite and some of the larger-scale producers could pass on losses made in years of low international prices to the small and medium producers. This was carried out through manipulation of the interest rates on the supply of credit which they monopolized, the provision of extremely low prices for the coffee bought from the small and medium producers, and increases in the tariffs charged at the processing plants (Monserrat, 1989:84).

The Somoza state intervened little in the Coffee sector, especially in relation to its policies toward the development of cotton production (see below) and its role was limited to the collection of taxes, negotiating with the International Coffee Organization over Nicaraguan quotas of the world market, and a certain effort toward the control of diseases (Colburn, 1986:68).

7.1f The Coffee Sector Under the Sandinistas:

7.1f(i) Generalities:

During the revolutionary period the total area of coffee cultivation showed a general decline. This did not necessarily respond, however, to a decline in the total amount of coffee production, due to improvements in the yields attained in the earliest years. Indeed, the 1982-83 coffee cycle produced the highest production figures Nicaragua had ever seen, although such a level was never attained again, despite the series of incentives offered the sector by the government. In fact as Figure 7.1 reveals, from the peak attained in the 1982-83 season, production, despite periodic improvements, showed a general decline until the last two cycles of the 1980s.

Although the coffee harvest had not been directly affected by the insurrection, production during the first post-revolutionary cycle (1979/80) was seriously disrupted. There were serious deficiencies in labour supply during the harvest months and many producers had not been able to carry out maintenance activities in the months leading up to the insurrection. This had a negative impact upon yields, through the lack of attention paid to measures needed to

Figure 7.1
Nicaragua: Evolution of Coffee Production
in thousands of Quintales (1980/81 to
1989/90)

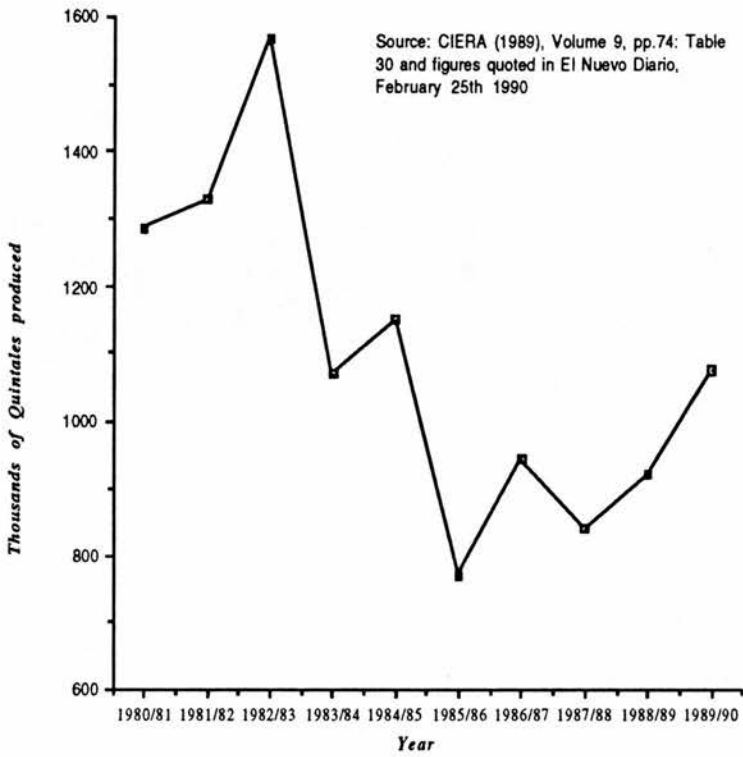
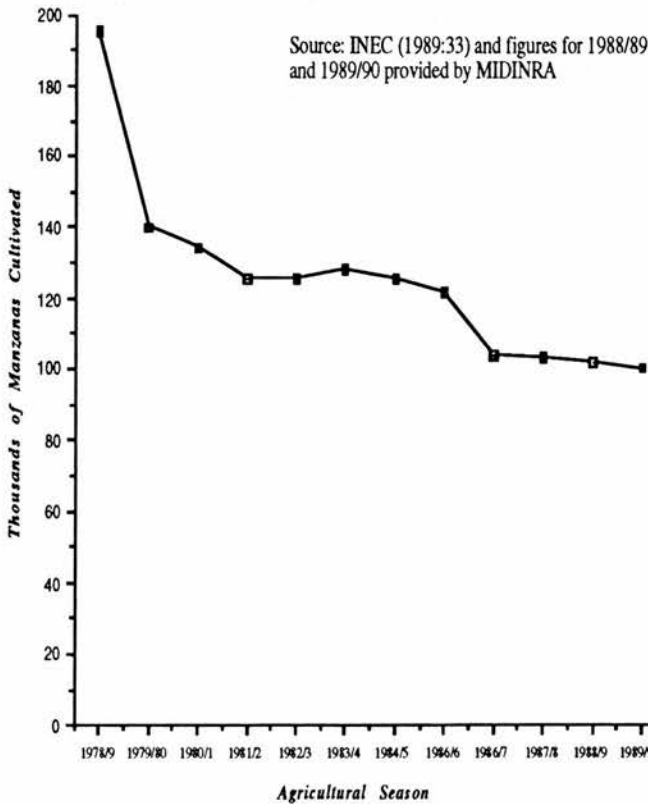


Figure 7.2
Nicaragua: Evolution of Total Area of Coffee
Cultivated in Thousands of Manzanas
(1978/9 to 1989/90)



limit the detrimental effects of the 'la roya' disease, which seriously affected the crop if it was left untreated.

In the following three cycles there was something of a recovery in total production. In particular, with the improved conditions offered to peasant producers (through relatively high guaranteed prices and the expansion in the supply of credit; Barahona et al, 1988:42), there was considerable expansion in peasant coffee production, especially in Region VI. This growth was, however, reversed by the early onset of the Contra war in those zones (Grigsby, 1988:204). Thus, as suggested above, from the peak in production levels of the 1982/83 cycle, production totals show a general downward trend (excepting relative improvements in the 1984/85 and 1986/87 cycles) until the growth of the 1988/89 and 1989/90 cycles. The decline in production levels after the early years can be clearly seen in Figures 7.1 and 7.2 which detail the evolution of production totals and the total area cultivated during the revolutionary years. The reasons behind these disappointing production totals included the following factors.

First and foremost, it must be remembered that the escalation of the war against the Contra took place in important areas of coffee cultivation. This severely disrupted production, through the physical destruction of crops and infrastructure, the flight of peasant producers, and the drafting of producers and labourers into military service, precluding them from productive activities. In addition, the most impressive increases in production totals and yields during the early years had been attained amongst the most marginal producers of the North, who were those most affected by the intensification of the armed struggle against the Contra.

Secondly, production was periodically affected by a number of climatic problems. For example, in some areas, the 1985-6 agricultural cycle was severely affected by excessive rains, and irregular rainfalls continued to plague the sector in the following seasons. Furthermore, the 1988/1989 season was affected by successive droughts in the Pacific and the incidence of Hurricane Joan in Regions V and VI, which led to the early dropping of beans and the onset of diseases (Wheelock in El Nuevo Diario 29/04/89 and CIERA, 1989: Volume 4:98).

Thirdly, the economic crisis of the mid-1980s ensured that the far-ranging plans for the modernization of the sector were never fully implemented, and the lack of availability of inputs and the worsening climate for private investment ensured the gradual deterioration of most coffee plantations, through a lack of

investment, which produced consequent falls in the yields obtained. The same economic crisis and the major imbalances in relative prices also saw an expansion in the opportunities for marketing coffee on the black market, thereby reducing the totals accounted for by official statistics and limiting the resources available to the state through its control of the domestic and external marketing of the commodity.

7.1f(ii) Export Performance:

The dependence of the Nicaraguan economy upon coffee exports intensified during the revolutionary period, as the crops percentage share of total exports soared (see Appendix 2 and discussions in Chapter 6). Furthermore, due to the low level of technological development in the sector, coffee production represented an import-cheap activity and, therefore, a high net generator of exchange (Plantinga, 1988:4). Despite the enhanced importance of coffee exports to the survival of the national economy that this suggested, and some improvements in yields and overall export production levels in the early years, for the 1980s as a whole, the value and volume of total coffee exports show a marked downward trend as Figure 7.3 clearly demonstrates.

The graph demonstrates that both the volume and the value of total coffee exports experienced an almost continual decline during the revolutionary years, with volumes falling to a low-point in 1986 and earnings entering into particularly serious decline after 1987. Obviously, the total value of exports was not simply a function of productive totals or the ability of the state to procure that production; it also depended upon the international market price each year. The evolution of international coffee prices during the period are illustrated in Figure 7.4. In the years leading up to the revolution, international prices had risen substantially between 1975 and 1977, before falling in the following two cycles. However, during the years from 1981 to 1988, with the exception of 1986, prices were to remain at a level well below that of 1980. The differential performance of export volumes and values shown in Figure 7.3 demonstrates the complicated relationship between international prices and production in an export dependent economy such as Nicaragua's. Two features stand out in particular. Firstly, the relatively high prices in 1986, caused by the Brazilian drought of that year and the subsequent speculation on the international market, helped to limit the damage caused by the climatic and war-related damages to production in that year (Micarelli, 1991:43). Whilst,

Figure 7.3
Nicaraguan Coffee Exports 1979-1990

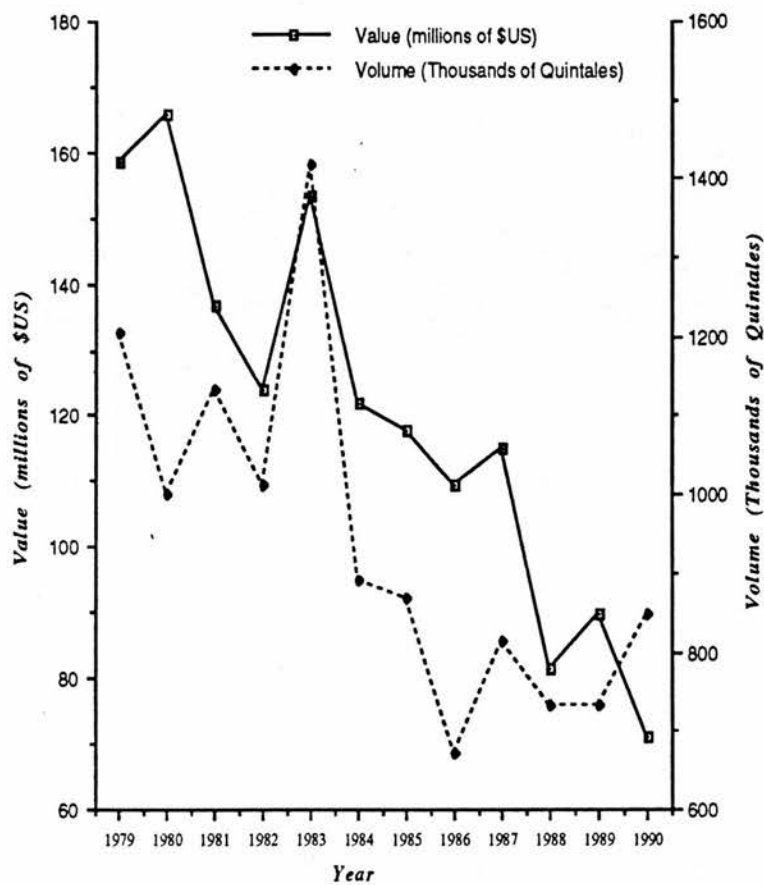
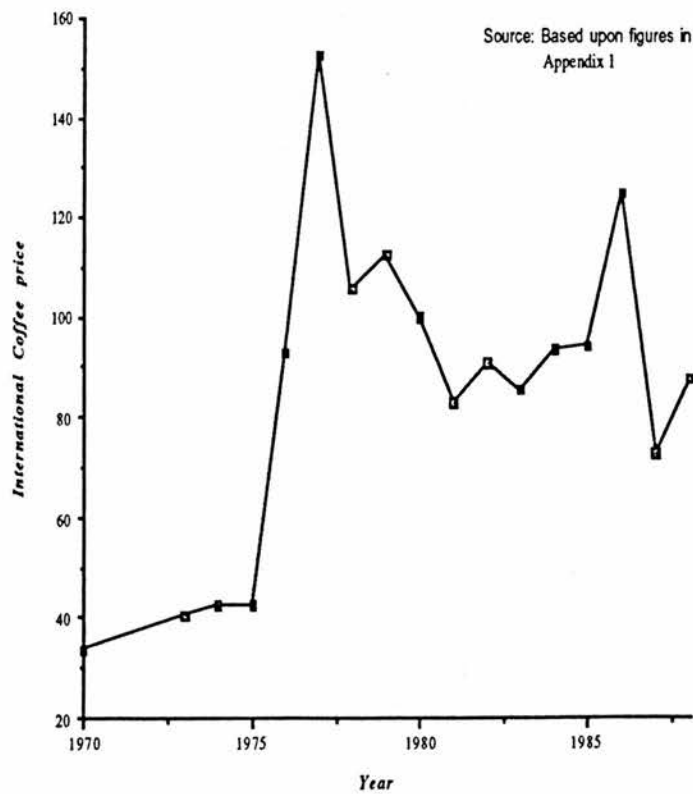


Figure 7.4
Evolution of International Coffee Prices
(Index: 1980 = 100)



secondly, the impressive production totals for 1983 were not matched by such a substantial increase in earnings, due to the relatively low international prices received. Furthermore, not shown in Figure 7.4, is the severe fall in international coffee prices which occurred in 1989, induced by the collapse of the international coffee convention. Nicaragua's reliance upon the future's market at this point meant that the effects of the price fall were not as severe as they were in the other countries of the region, but the damage was to be more severely felt in the following cycle (Estrada, 1989:16). Figure 7.3 illustrates this well. The relatively high value of exports in 1989 can be compared to the stagnant volume of production, whilst the collapse in the value of production in 1990 coincided with an increase in the total volume of production.

One further factor that affected the level of coffee exports was the growing amount of coffee which was sold in the domestic market, reflecting the growing dislocation between internal prices and guaranteed export prices. Grigsby (1988:208) suggests that as much as 100,000 Quintales of coffee were sold on the domestic market in 1986 in response to the way in which rising inflation produced much better prices in the internal market than those offered by the government to exporters.

7.1f(iii) The Evolution of Government Policy toward the Coffee Sector:

The greatest policy challenge facing the FSLN within the coffee sector was to find a combination of measures which would enable the reorganization of production along more rational lines, thereby improving the ability of the sector to generate exchange; whilst at the same time ensuring improvements in the working conditions of those labouring in the harvest months on the large private estates and state farms, and the position of the important sectors of small and medium-sized coffee producers. Essentially this represented four challenges;

1. The development of a successful and dynamic state sector;
2. The provision of sufficient incentives for the continued reproduction and further development of the larger capitalist farms;
3. An improvement in the conditions of the most marginal producers through the extension of agricultural services and credit;
4. An improvement in the conditions of labour for those working in both the state and the private sectors (Sepulveda, 1984:73).

In line with these criteria, the development of state productive capacity was limited to those properties confiscated from Somoza and his associates. Thus by 1983 only 19% of coffee cultivation had passed into the hands of the state and was carried out on the state farms of the APP.² This meant that at least 80% of coffee production was maintained in private hands during the revolutionary period, although there was a growing level of cooperativization, and profound changes in the productive structure of the sector through the agrarian reform (see discussions below). Some 34% of the nation's processing capacity also passed into the hands of the state.

In line with the 'modernizing' ideology dominant within MIDINRA, the government also embarked upon an ambitious programme of modernization in the sector. This was organized under the Comision Nacional de Renovacion de Cafetales (CONARCA). The role of this organization was to encourage the spread of the newer higher yielding coffee varieties and halt the spread of diseases, such as la Roya. The programme was designed to improve overall productivity and proceeded through the complete modernization and renovation of the targeted farms, rather than through the spread of improved cultivation practices or the increased use of fertilizers (Colburn, 1986:69 and Plantinga, 1988:6).

The implementation of the programme was confined to the Carazo Plateau in Region IV and, despite advances made there,³ the programme made little impact on the sector at a national level (Enriquez, 1991:60). Furthermore, Colburn (1986:70) argues that, although it was the state's intention to provide extended technical assistance to all of the nation's coffee exporters, the limited capacity of the state to provide such services meant that, in general, they were concentrated upon the state farms and the areas that came under the CONARCA programme.⁴ Thus, coffee producers in Region VI, already operating at a lower level of technification, lacked a similar programme of modernization, which was reflected in the greater falls in productivity that affected the region (although the greater disruption caused by the war in that area was also responsible for this).

² For example, there were 91 production units in Region One (organized into four enterprizes- only one of these was uniquely a coffee producer; the other three also produced other crops).

³ The programme achieving the renovation of 3,625 manzanas in 1980 and a further 1,870 in the following year (Monserrat, 1989:85).

⁴ Plantinga (1988:7) also refers to the ecological damage wrought by the CONARCA programme through the effects of increased deforestation, the problems of insect plagues and a decrease in micro-climatic humidity caused by the technification of production.

In addition to the attempts to modernize the productive structure of the sector, the state also extended its role through the elimination of the private export agencies which had dominated the sector in the Somoza years. This was achieved through the nationalization of foreign trade, and three months after the revolutionary triumph, a new state organization, ENCAFE, became the only export agent for the sector, with all producers required to sell to them. Producers could, however, choose at which stage of the production cycle they wished to sell, with the larger producers often choosing to carry out their own processing. ENCAFE set up sixty five centres throughout the coffee growing regions to receive the coffee harvested by the nation's producers. The new arrangements represented a substantial shift in the dynamics of the sector with,

"The nationalization of the marketing of coffee and partially of its processing...(producing) as a fundamental consequence, the virtual disappearance of export capital as a principal concentrating agent of coffee surpluses (Sepulveda, 1984:73)

For the first two years ENCAFE paid producers the international market price for coffee (as stipulated by the International Coffee Organization) although this was paid to producers in cordobas, at the official rate of exchange, allowing the state to monopolise the acquisition of the exchange generated in the sector. The problem with this was that the price fluctuated widely even on a day to day level. Therefore, subsequently, a guaranteed price was fixed, at a relatively low level, although this was allowed to fluctuate according to the quality of the coffee. ENCAFE also fixed the price for processing (Monserrat, 1989:85). In 1981 a drastic fall in international prices, coupled with the rising costs of production, falling productivity, and the low prices received from the state, all negatively affected the sector. Only those producers who could make use of the very liberal credit policies to increase their productivity could hope to maintain their profitability. Due to the nature of coffee production (the need to maintain production given the capital outlay in initiating production), despite the increasing costs and declining earnings of the sector most producers continued to produce, but tried to restrict costs to a minimum. In 1982, however, the government established a single guaranteed price, unrelated to quality, in an effort to sustain the profitability of those producers that could not use the freely available credit to improve yields in the short term.

As suggested above, the aim of the government in seeking to control the marketing of coffee reflected both a desire to replace the activities of

exploitative intermediaries and, in particular, the need to capture foreign exchange in order to finance the processes of social transformation designed to help the poorest sectors in society. However, initial policies represented considerable falls in the income of many coffee producers which affected all property sectors and led to certain feelings of resentment, even amongst the smallest coffee growers.

"A small coffee grower in Matagalpa, queried about how the revolution had affected him, replied, 'The revolution has treated me badly; before I could sell my coffee to anyone I liked.' The INCAE survey of coffee producers found that small growers are more dissatisfied than large producers with government monopsony of coffee. Part of the small producers' dissatisfaction stems from their living in remote areas (thus being further from urban centres, where ENCAFE offices are located), but the central dissatisfaction is with ENCAFE pricing." (Colburn, 1986:77)

Thus, in many ways, whilst credit and pricing policies were able to provide growers with an income they provided little incentive for efficiency in production, producing a somewhat passive attitude on the part of producers who were able to maintain a certain level of income without investing their own funds. In such circumstances incentives tended to be used to supplement income rather than for the productive purposes for which they were intended, adding to the tendency toward stagnation outlined above (Plantinga, 1988:19)

Throughout the revolutionary years, as well as being the most important earner of foreign exchange in the Nicaraguan economy, coffee production continued to be an important employer. In fact, coffee cultivation is the greatest single generator of employment in Nicaragua, and is especially significant during the harvest period. Monserrat (1989) suggests figures of 100,000 employed during the harvest and 50,000 throughout the year, reflecting both the hiring of labour on the largest farms and the employment of labour by the rich and middle peasant sectors. In addition, coffee processing gives work to hundreds more individuals, either through primary export processing or the production of instant coffee for consumption in the domestic market (there are 21 coffee roasting plants producing coffee for the internal market). Nevertheless, one of the constant problems afflicting the sector during the 1980s was the shortage of labour for the harvest period. Enriquez (1991:85), for example, details an INCAE survey which revealed that in the initial post-revolutionary agricultural cycle over 55% of medium and large-scale coffee producers experienced labour

supply problems in the harvest months. These shortages were due to a number of factors. Firstly, as outlined in the preceding chapter, the development of the agrarian reform programme meant that many individuals who would previously have sought work during the harvest periods now did not necessarily need to do so. As expressed in *Envio* (September 1985:36);

"The agrarian reform has not been free of internal costs either. The transformation of seasonal wage labourers into landowners has reduced the manual labour force available to the big producers. This has been the principal criticism (of the deepening of the agrarian reform) of both the large private producers and the state farm administrators."

Nevertheless, it can be argued quite convincingly that authors such as Enriquez somewhat exaggerate the importance of the agrarian reform in producing these problems. As argued in relation to the export sector as a whole in Chapter Six, a more important factor underlying the continuation of the labour shortages in the ensuing years appears to have been the escalation of the Contra war. Many young men and women were drafted into the struggle against the Contra, others joined the ranks of the Contra themselves, and in both cases it meant that they were unable to take part in productive activities. The war also saw many peasants displaced from their farms in the areas of highest semi-proletarianization in the sector; the Northern Interior. In addition, it could also be argued that the declining supply of labour to the sector had less to do with the agrarian reform process, and more with the declining productivity of labour and the depressed salaries which characterized the sector for much of the decade (Vilas, 1984:102). Despite these disagreements, whatever the underlying causes, the state farms and large private growers continued to suffer from labour shortages, to which the government responded by constituting a series of emergency coffee harvest committees and organizing brigades of student and government employee harvest brigades.⁵ The use of the less skilled volunteer pickers limited the quality of the coffee harvested as it took longer for the crop to be picked and the beans were often left too long on the bushes. The labour shortages were to remain a problem (despite attempts on the state farms to guarantee labour supply through the provision of small plots of land for basic grain production) until the final years of the revolutionary period when the onslaught of the economic crisis once again increased the supply of labour

⁵ These brigades picked 12% of total coffee production in the 1985/86 cycle for example (De Groot and Clemens, 1991:94).

7. 1f(iv) The Performance of the Different Sectors:

It has already been established that overall coffee production levels fell after reaching a peak in 1983. However, the different types of producer within the sub-sector performed in different ways during the decade. Figure 7.5 shows in graphic form the production totals for the state, large private, and small and medium sectors; whilst Table 7.5 shows the yields achieved in each sector and Table 7.6 breaks the total production figures down to a regional level to show the contribution of each sector in the different regions of production for the agricultural cycles 1980/81 and 1987/88 in order to give an idea of how these changed during the revolutionary period. The figures displayed stress again the generalized decline that characterized the sector.

7.1f(iv)a The Capitalist Sector:

The most emphatic decline in production levels occurred within the large private sector, especially following the 1982/83 cycle. Between the 1980/81 and 1987/88 cycles the proportion of coffee produced by these larger producers fell from 38.7% to 33.6%. Obviously this, to a certain extent, reflected the declining size of that sector but, as shown in Table 7.5, it also reflected the declining productivity of the sector (due to the lack of investment, problems in labour supply etc.). From a peak of 15.5 tons per manzana in the 1982/83 cycle yields fell progressively in the following cycles, declining to a low-point of 6.1 tons per manzana in the 1985/86 cycle

Nonetheless, the large private producers (and the state farms) obviously operated at a much higher level of technology than their smaller competitors and, therefore, on the whole, continued to achieve higher yields (see Table 7.5 and an interview with Jaime Wheelock in *Barricada* 17/07/89). In addition, the fact that the large private coffee farmers already operated at a higher level of technification meant that it would be easier (in comparison with their smaller scale counterparts) for those farms to increase productivity through the application of the improved technologies and mechanization which were central to the FSLN's strategy in the sector. Despite this, the largest producers, and those who had been most closely linked to the commercial and financial sectors which had controlled the sector during the pre-revolutionary era, also faced the fact that traditionally much of the profit which they made from coffee had come from their ownership of processing facilities and the marketing of production in

Figure 7.5
*Nicaragua: Evolution of Coffee Production
by Property Sector in Thousands of
Quintales (1980-1988)*

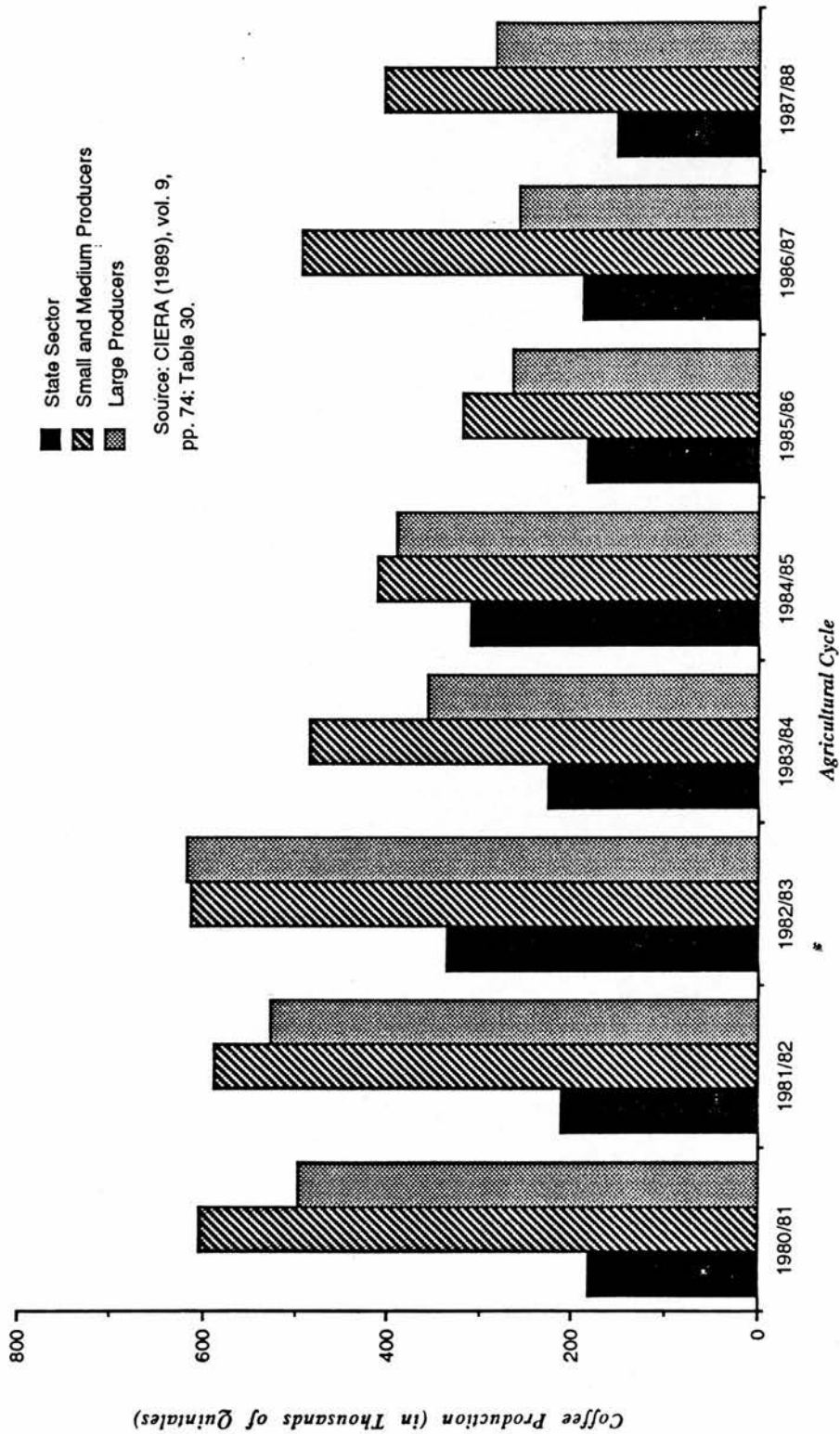


Table 7.5 Nicaragua: Coffee Yields Achieved per Manzana in Tons (1980/81 to 1987/88)

Agricultural Cycle	State Sector	Small and Medium Producers	Large Producers	National
1980/81	11.0	8.9	10.0	9.6
1981/82	10.5	9.5	12.1	10.6
1982/83	15.0	9.7	15.5	12.5
1983/84	10.4	7.4	8.9	8.4
1984/85	16.7	7.0	8.2	8.9
1985/86	12.0	5.1	6.1	6.3
1986/87	13.6	8.5	8.3	9.1
1987/88	12.0	8.7	6.4	8.1

Source: CIERA (1989), Volume 9, pp.96-103: Tables 41-48

Table 7.6 Nicaragua: Regional and Sectoral Composition of Coffee Production during the 1980s

	1980/81				1987/88			
Production (in 000's of Quintales)	State	Small + Medium	Large	TOTAL	State	Small + Medium	Large	TOTAL
Region I	44.5	125.2	58.2	228.0	13.6	80.9	25.0	119.5
Region II	0.3	7.6	-	7.9	-	4.9	-	4.9
Region III	14.7	-	100.5	115.2	13.2	2.4	42.5	58.1
Region IV	9.8	123.7	13.8	147.0	10.0	27.6	97.4	135.0
Region V	4.6	30.0	-	34.6	2.6	10.5	-	13.1
Region VI	108.4	317.5	325.6	751.6	111.7	279.7	117.7	509.1
National	182.3	604.8	497.9	1284.9	151.2	406.0	282.6	839.7
Percentage figures	State	Small + Medium	Large	TOTAL (as % of national)	State	Small + Medium	Large	TOTAL (as % of national)
Region I	19.5	54.9	25.5	17.7	11.4	67.7	20.9	14.2
Region II	3.8	96.2	0	0.1	0	100	0	0.6
Region III	12.8	0	87.2	9.0	22.7	4.1	73.1	6.9
Region IV	6.7	84.1	9.4	11.4	7.4	20.4	72.1	16.0
Region V	13.3	86.7	0	2.7	19.8	80.2	0	1.6
Region VI	14.4	42.2	43.3	58.5	21.9	54.9	23.1	60.6
National	14.2	47.1	38.7	100	18.0	48.4	33.6	100

Source: CIERA (1989), Volume 9, pp. 96, 103: Tables 41, 48.

the exterior, both of which were now largely controlled by the state. This meant that whatever incentives were offered such producers they were unlikely to invest in production or pay great attention to efficiency because of the loss of their traditional means of profitability. At the same time, they also faced the previously mentioned decline in labour supply and the declining productivity of that labour which remained. The new circumstances, had, however also offered the possibility that those sectors previously exploited under the old system might find themselves in an improved position. This would of course depend upon how far the control of processing and commercialization by the state offered them the opportunity to improve their profitability (Plantinga, 1988:5-8) In overall terms, however, this sector exhibited a particularly sustained decline in productive totals and yields, representing, according to different perspectives, an unwillingness to invest in production or improve efficiency, or the disincentives of misplaced government pricing policies.

7.1f(iv)b The State:

Despite their continued prioritization in the supply of credit and the disproportionately high level of investment which they enjoyed, the state farms were unable to provide the drive to improved productivity and efficiency which was hoped for, as the yields they attained remained relatively low and the farms suffered severe management problems. The state farms did, however, retain a relatively constant level of production, and even increased production levels in the 1982/83 and 1984/85 cycles. Furthermore, yields were maintained at a higher level than those of the private sector; never falling below about 10.5 tons per manzana throughout the decade. The sector did, however, face the same labour supply problems which beset the large private producers and, despite the relatively higher yields achieved and the maintenance of production levels the state farms often operated at a loss and failed to produce at a level which justified the level of prioritization which they had enjoyed.

7.1f(iv)c Small and Medium Producers:⁶

⁶ For each of the four commodities described in this chapter, the term 'small and medium producers' is used to distinguish peasant and cooperative production from the large private sector. This definition is taken from CIERA (1989, Volume 1:13-14), where the use of the term in the presentation of the national and regional statistics provided in the ninth volume of that series is explained. The rationale provided there stems from the Banco Nacional de Desarrollo's definition of the sector in relation to the provision of rural credit. This definition, based on such specific characteristics as, income level, fixed

Production levels on small and medium farms were relatively constant in the early cycles, but then fell between the 1983/84 and 1985/86 cycles (although not to quite the extent of the large private producers). Thereafter, these producers performed relatively well and, as shown in Table 7.5, yields actually surpassed those of the large private producers in the 1986/87 and 1987/88 cycles. Much of this improvement reflected the growing realization by the government of the importance of smallholder production in the sector and the increasing prioritization of such producers following the shifts in government policy from 1985, as well as the increasing absolute weight of the sector given the processes of land redistribution. By the end of the decade, for example, the new cooperative sector was producing about a third of all coffee produced in Nicaragua (Wattel et al, 1989:188).

Another aspect to the improved performance in the latter part of the decade (and the relatively stable yields attained on the state farms) reflected the implementation of 'The New Coffee Strategy' in 1985. This was a massive exercise designed to rationalize the production of coffee in the country through reducing and compacting the area of coffee cultivation. The intention was to eliminate around 20,000 hectares in the most marginal zones. The underlying rationale for this was that it had proved impossible to guarantee the harvest, transportation and processing of a considerable quantity of coffee due to the inaccessibility of the more marginal producers. It was intended that by the end of the century all coffee production would either be in the Pacific region or the North Western region where the best soils, the most suitable climate and the most developed infrastructure are located (Montserrat, 1989:85). At the same time MIDINRA initiated a Programme designed to renovate a large proportion of all coffee plantations which, it was hoped, would affect over 60% of coffee producers by the turn of the century.

Although the incidence of the new plans of 1985 were felt in the improved productivity attained in the 1986-87 agricultural cycle, coffee producers continued to be hard hit by the war, and overall production levels continued to disappoint. These years represented the most intensive period of the war against the Contra and their eventual strategic defeat by the EPS (Ejercito Popular Sandinista) during that period represented an intensification to disruptions in the major coffee producing regions of the North. Furthermore, although the period saw a greater priority given to the needs of smaller producers nationally, by and

capital stock and the size of the land owned or rented, whilst not ideal, since it still proves difficult to distinguish between poor capitalists and rich peasants, does at least provide a workable distinction.

large, this was geared toward the production of basic food crops rather than the provision of support to smallholder production of export commodities, although, as suggested above, this was also expanded. As argued in the preceding chapter, however, such changes in direction occurred too late to reverse the alienation of many small and medium scale coffee producers and the continued economic malaise meant that any measures which were developed suffered from a lack of resources, given the competing demands on the limited resources the government had at its disposal.

7.1f(v) The Effects of Economic Reform in the Late 1980s:

Coffee production appeared to respond favourably to the pro-export packages of 1988 and 1989. The 1988/1989 cycle saw an increase in the area harvested, although not to the degree hoped for because of the incidence of Hurricane Joan and the associated flooding. These problems meant that the quality of coffee for that cycle was poor and this, in combination with low international prices, meant that export values fell; although they were to recuperate in the following cycle. Considerable improvements followed in the 1989/1990 cycle when despite major outbreaks of disease in Regions IV and VI, total production levels and yields rose. There is some suggestion, though, that this related more to a favourable natural cycle and good climatic conditions (although there were severe climatic problems in Region IV; Stahler-Sholk, 1990:82) rather than the incidence of government policy. Nonetheless, it is true to say that producers were able to take advantage of the changes in relative prices, especially through the evolution of the exchange rate to more realistic levels, although, as Stahler-Sholk (1990:80) suggests, devaluations do not always provide an incentive for all groups of producers because, despite the fact that devaluation may improve the earnings of exporters, it also affects an increase in the costs of imported inputs.

Such arguments suggest that the incidence of the economic reforms affected different groups of coffee producers in quite distinct ways. Thus, whilst the evolution of a more realistic exchange rate would in the medium-term aid all coffee producers, theoretically it could also have a progressive social impact, in that the level of benefits gained were inversely proportional to the level of technification of production. This was because the increase in the costs of imports, produced by the devaluation, most affected those most heavily dependent upon imported inputs. Estrada (1989:17) quotes a Banco Nacional

de Desarrollo study which indicated that all groups had in fact suffered a decrease in profitability due to the incidence of the reforms, but that those which made greatest use of imported components were the worst affected. Thus whilst the equilibrium point for technified coffee production increased from 8.3 to 11.5 Quintales of coffee per manzana, and that of semi-technified production increased from 5.25 to 7.2, that of traditional production only increased from 1.07 to 1.5.

In a study of coffee producers in the 1988/89 cycle, Stahler-Sholk (1990:83) shows that the use of imported inputs showed a marked decline, with producers tending to replace the use of inputs with increased labour time, which was obviously beneficial to those looking for work. However, he argues that since the use of inputs was highest in Region IV, given the prioritization of that region in the modernization programme, the reforms instigated a less efficient use of resources. He, therefore, suggests tentatively that the economic reform process tended to benefit those producers in Regions I and VI over those in Region IV. In the words of one large producer of Region IV

"I am efficient, I have my coffee production highly technified and with good yields. This new economic policy is penalizing the most efficient producers." (Quoted in Stahler-Sholk, 1990:83)

For the 1989/1990 cycle the government made what later proved to be an excessively favourable agreement with the country's coffee growers through a series of extra incentive payments which represented the exchange differential between the moment when the coffee was sold to ENCAFE and the period of exportation. However, in June the government had to renege on the deal because of the inflationary pressures which the first payments under the system had caused. In January 920 million cordobas had been released to coffee producers and a further 750,000 million in March. The government hoped that growers would use these incentives to reinvest in the following cycle, but it soon became apparent that the payments were pressurizing the black market and forced a further devaluation upon the government. In June, in an effort to avoid further inflationary problems, the government placed the remainder of the funds earmarked for coffee producers in a special fund, from which growers could only withdraw to cover their production costs. On June 18th the nation's coffee growers met in Matagalpa in order to assess their reaction to the government's move. COSEP tried to encourage the growers to leave the newly formed

CONCAFE (Corporacion Nacional del Cafe), a forum which had been created as part of the economic reforms to encourage the exchange of opinions between the government, the various strata of private producers in the sector and the unions. This was not agreed to, and in July the government, after pressure from UNAG, agreed to pay the incentives in full to those producers under a certain size and those who could demonstrate clearly that they were reinvesting. (Estrada, 1989:15 and *Envio*, August 1989: 10-16.).⁷

Producers also suffered from credit restrictions to a certain degree, although they were more worried about the increased level of interest rates involved in the economic reforms, which had a great impact on their total costs, as the liberal, and basically negative, rates of interest charged on their access to credit in previous years were rationalised.

Nonetheless, despite the problems noted above, the pro-export exchange policy and the extended provision of incentives involved in the new economic policies, did serve to improve the medium-term profitability of coffee production. It should be stressed, however, that despite the greater impact upon them of the escalation of import costs, the larger producers were those most able to take advantage of the improved profitability of coffee production. Many were able to cancel their credits with the national financial system and depend upon the income earned in the present and previous cycles. Furthermore, they were also able to take advantage of the constant decline in the real value of wages which occurred at the time. In contrast, a lack of coordinated policies meant that there were few institutional mechanisms whereby incentives could be channelled to the poorest coffee producers (Marchetti, 1989:3-4). One proposal put forward by Daniel Nunez (the president of UNAG) was that the government should permit coffee producers to sell their production to ENCAFE in the moment in which they estimated conditions were most favourable. This, he argued, would overcome the inflationary problems caused by the general payments to the sector noted above. producers themselves would assume the risks of waiting on the evolution of international prices and the comportment of exchange policy. Once again the major impediment to the adoption of such a strategy was the need for a sufficient system of information for small and medium producers to be able to make informed decisions (Estrada, 1989:16).

7.1g Conclusions:

⁷ COSEP's politicking earned the expropriation of three of their leaders' properties

The performance of the coffee sector was a key determinant in the overall performance of the national economy throughout the revolutionary years, as the proportion of total exports accounted for by the crop increased and international prices, whilst generally falling over the decade, did not do so to the extent of cotton or sugar prices. In addition, improvements in the position facing coffee producers would carry greater weight in the transformation of rural society in Nicaragua, because of the large numbers of peasant farmers who produce the crop and the weight of the sector in the generation of employment.

Unfortunately production levels and export values, whilst recovering to a certain degree in the initial revolutionary cycles remained depressed for most of the period. As has been argued above, this reflected a number of factors.

Firstly, the incidence of the relatively depressed prices on the international market led to a fall in export levels for the region as a whole. For example, between 1982 and 1988 regional export totals fell from nearly 630,000 tons to just over 560,000 tons (see Table 7.7). Nonetheless, most of the fall can be explained by the collapse of production in Nicaragua and the even more severe falls in El Salvador. In fact production totals in the three other republics, whilst fluctuating, show an overall improvement. The worse performance of the Nicaraguan and Salvadoran producers reflect the military situation facing each of those two countries. In the Nicaraguan case the advances made in terms of improved yields in the early revolutionary years (especially on the smaller-scale farms) were wiped out by the onset of the war in several of the major coffee growing regions of the country. In addition, the state production of coffee on the farms of the APP failed to boost production to the extent hoped for despite substantial investments in modernization. The largest private producers also failed to expand production, reflecting both conscious decisions to limit the risks to their capital under the changed internal political situation and the failure of the state administration of the key economic policy instruments in the sector to provide sufficient incentives for them to wish to expand production. As suggested above, the initial years had seen some successes in terms of the small and medium producers of the sector, who continued to out perform the large private sector, even surpassing them in terms of yields by the end of the decade. Despite this, the smaller producers were still not prioritized in the distribution of resources within the sector in comparison with the APP and the larger producers, even during the shift in policy toward the peasantry that occurred in the mid eighties

Table 7.7

Central America: Area Harvested, Production, and Productivity of Coffee

Area Harvested (Thousands of Hectares)

	1980	1981	1982	1983	1984	1985	1986	1987	1988a
Central America	731.3	741.7	754.4	743.6	721.5	709.1	711.3	712.2	
Costa Rica	82.5	82.5	83.2	87.0	103.0	103.0	111.0	110.0	ND
El Salvador	185.6	185.6	186.1	175.7	172.3	167.4	163.9	163.9	163.9
Guatemala	243.7	263.5	272.4	266.7	231.7	229.5	236.4	236.6	ND
Honduras	120.9	122.1	123.0	124.2	122.5	124.3	122.9	124.7	126.4
Nicaragua	98.6	88.0	89.7	90.0	92.0	84.9	77.1	77.0	ND

Production (Thousands Of Tons)

	1980	1981	1982	1983	1984	1985	1986	1987	1988a
Central America	601.2	622.1	629.5	604.1	601.9	576.6	572.9	628.6	562.2
Costa Rica	106.4	113.1	115.1	124.0	136.9	123.9	120.2	145.3	155.0
El Salvador	188.3	176.0	174.6	154.5	149.3	148.8	142.6	153.2	87.4
Guatemala	177.4	193.8	189.3	183.0	196.6	181.6	196.6	189.5	186.2
Honduras	72.5	80.9	86.6	77.2	72.4	75.0	76.1	98.8	94.0
Nicaragua	56.6	58.3	63.9	65.4	46.7	47.3	37.4	41.8	39.6

Productivity (Tons per Hectare)

	1980	1981	1982	1983	1984	1985	1986	1987	1988a
Central America	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.9	
Costa Rica	1.3	1.4	1.4	1.4	1.3	1.7	1.1	1.3	ND
El Salvador	1.0	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.5
Guatemala	0.7	0.7	0.7	0.7	0.8	0.8	0.8	0.8	ND
Honduras	0.6	0.7	0.7	0.6	0.6	0.6	0.6	0.8	0.7
Nicaragua	0.6	0.7	0.7	0.7	0.5	0.6	0.5	0.5	ND

Source: Figures supplied by FLACSO (Facultad Latinoamericana de Ciencias Sociales)

7.2 The Cotton Sector:

7.2a Introductory Comments:

On the whole, despite certain linkages to domestic industries, the majority of cotton grown in Nicaragua is exported (Enriquez, 1991:73 suggests a figure of over 90% in the early 1980s)⁸ and, at the time of the revolution, the export of cotton still remained one of the country's major sources of foreign revenues. Despite the fact that cultivation of the crop had expanded dramatically throughout the decades following the Second World War (see discussions in Chapter Three), the fortunes of the sector have followed a particularly volatile trajectory throughout the period, reflecting, in particular, the risks imposed by relatively high capital outlays (in relation to the area sown) and the constant fluctuation of international prices. These trends are shown clearly in the changing importance of cotton exports to national export totals which are detailed in Table 7.8.

7.2b Nicaragua's Cotton Growing Regions:

Throughout the expansion of the Post-War years, Nicaraguan cotton cultivation was concentrated in medium to large sized production units within the Departments of Leon and Chinandega in Region II, where they made use of the excellent soils and good climatic conditions of the Pacific Plain (see Map 2).⁹ In the 1980/81 agricultural cycle, 89.5% of national production occurred in that region and that concentration had intensified to 97.3% by the end of the 1980s (CIERA, 1989: vol. 9:104). The small amount of production that took place outside of Region II occurred on larger farms in Regions III and IV. By the end of the seventies there were around 4500 cotton producers in Nicaragua with an average farm size of around 40 hectares (Monserrat, 1989:94).

7.2c Cotton Cultivation under the Somozas:

'King Cotton' was the key to the dramatic economic growth of Nicaragua's post war period. Before the 1950s, cotton had featured in the export totals of the Republic, but never at any great scale. During that decade, however, cotton

⁸ It should, however, be noted that upwards of 80% of cotton seed production is sold on the domestic market (Baumeister et al, 1983:99).

⁹ There was also a certain amount of cotton production on smaller farms in the region which in the 1980/81 cycle for example, accounted for nearly 16% of regional production (CIERA, 1989: volume 9, pp.104: Table 49).

Table 7.8 Nicaragua: Cotton Exports as a
Percentage of Total Exports

1970	1975	1980	1985	1986	1987	1988
19.2	25.5	6.7	30.2	18.1	15.3	24.9

Source: Consejo Monetario Centroamericano, Boletín Estadístico, Various Years.

production escalated incredibly, to the extent that, between the years of 1950 and 1954 alone, the acreage devoted to cotton production increased from 23,000 to 123,000 manzanas (see Thielen, 1991:102). This growth largely occurred in response to the rapidly increasing international prices of the period; although the fact that production had already shown expansionary tendencies before then suggests that a one to one correlation between rising prices and increasing production levels would be somewhat simplistic (Belli, 1969:2). By the end of the 1950s, however, the coincidence of climatic problems and depressed international prices had temporarily reduced production levels leading to conflicts between producers and the export companies that sold cotton on the world market over the distribution of the losses incurred (Baumeister et al, 1983:65). This crisis saw the intervention of the Somocista state which unfolded plans to rapidly modernize the sector, in the hope that productivity increases would be able to overcome the climatic problems and the fluctuations of international prices.

Over the following years, therefore, the sector evolved to become one of the most technified areas of agricultural activity in the republic, and one where capitalist relations of production were at their most advanced. This reflected widespread expansion in the use of mechanical techniques for sowing, spraying and harvesting, and the extensive use of modern inputs such as fertilizers and pesticides. During the 1960s, yields rose accordingly, to a point where they were 45% higher than they had been in the previous decade and, by 1967/68, they were also 200% higher than average international yields. The technical nature of cotton production also meant, however, that the crop was heavily import dependent, reflected in the fact that, by the early 1970s, the cotton sector absorbed an estimated 85% of total imported agricultural inputs (Colburn, 1986:46, Belli, 1969:57 and Baumeister et al, 1983:66).

The 1970s were another volatile period for Nicaraguan cotton producers with both massive fluctuations in international prices and the impact of international recession.¹⁰ The agricultural cycles 1975-76 and 76-77 produced the greatest area sown to cotton which had ever been achieved in Nicaragua, largely in response to incredibly high international prices. Nevertheless, at the same time, rising inflation in Western industrial countries was increasingly affecting the

¹⁰ Baumeister et al (1983:67) suggest that in 1975/76 the difference between the maximum and minimum average monthly prices was so extreme that, if a producer (of 500 manzanas) sold his production in the month with the lowest price, he would have lost US\$200,000 in comparison with the month with the highest price. These differences led to the intensification of the struggles between productive and financial capital over the distribution of the surplus generated in the sector.

costs of the inputs upon which the sector was so dependent. When the international cotton price began to fall in the following years, producers were left with severely inflated production costs and, consequently, marked falls in the profitability of production (Monserrat, 1989:94). This meant that, by the time of the revolution, the sector was entering another period of decline, as producers began to decrease the area sown to cotton and investment in their farms, in response to their declining profitability (Evans, 1988:53).

As suggested above, cotton, along with sugar, was the most technologically advanced of the export crops produced in Nicaragua, and the areas of highest concentration in cotton production, thus, also demonstrated higher levels of land concentration and a greater degree of proletarianization than the national average. In this way, the expansion of cotton cultivation differed in significant measure from that which had occurred under the growth of coffee fifty years earlier; as the technified nature of production affected a fundamental transformation in the traditional haciendas of the regions where the crop dominated. Pre-capitalist forms of land ownership rapidly disappeared, and the smallholders of the region found their access to land dependent upon their ownership of legal titles (rare) and/or rent in cash from landlords. This meant that the level of proletarianization in these regions increased much more rapidly than it had in the major areas of coffee expansion. Much of the increasing urbanization of the Post-War period reflected this process of proletarianization and the growing landlessness of the rural poor in the Pacific. Relatively few of the small farmers who had previously grown basic grains in the region could find permanent work on the emerging cotton farms and were thus compelled to seek new lands toward the agricultural frontier or employment in the urban areas of the region.¹¹

The existence of a significant number of medium-sized, as opposed to large, farms meant that Nicaraguan cotton production was not so heavily concentrated as it was in other countries of the region. In 1970, for example, there were only 161 cotton producers in Guatemala cultivating an average of some 463 hectares of cotton. Whereas, in the same year, there were some 2670 Nicaraguan cotton producers with an average farm size of only 36 hectares (Baumeister, 1985b:4). For a breakdown of the size of cotton farms in 1977-78 see Table 7.9. Overall, despite the dominance of medium-sized producers in the sector, the figures

¹¹ The rapid growth of the cotton sector can be seen from the fact that between 1952 and 1964, in the three departments of Managua, Leon and Chinandega, there had been an increase in the total area cultivated of 16.8%, whilst, over the same period, the expansion in the area sown to cotton was around 430% (Belli, 1969:39).

Table 7.9 Nicaragua: The Structure of Cotton Production in 1977-78

Size of Producer (in Manzananas)	Percentage of Total Area devoted to Cotton Production	Percentage of Total Number of Producers
1-30	12.7	69.4
30-100	17.3	16.7
100-300	31.7	10.2
> 300	38.3	3.6
Total	136,300 Manzananas	6442 Producers

Source: Thielen (1991:107)

suggest the key importance of farms of over 100 manzanas to total production levels. Such farms accounted for 70% of the total area turned over to cotton production but only represented something like 14% of the total number of producers. Furthermore, the importance of such farms to national production levels was of even greater importance than suggested by those figures, because of the greater level of technification employed on such farms, and the higher yields they consequently maintained.

Despite the relatively large number of cotton farmers, control of the commercialization and processing of cotton was heavily concentrated during the Somoza period. Individual producers either sold their cotton unginned (*en rama*) to exporters, or to the owners of the cotton ginneries who then sold the cotton on to the exporters (there were 28 of these ginneries and they were mainly owned by the larger producers themselves). By the mid 1960s, the external commercialization of cotton was largely controlled by four export companies (although there were eight in all), who together accounted for 56% of exported production. Private financial capital, on the other hand, had a less important role than in other sectors, due to the more interventionary role of the state in the support of the crop. As much as 50% of national production was, however, carried out on rented lands (characterized by particularly high rent levels) which added another dimension to the nature of social relations in the sector (Vilas, 1986:77-78).

In summary, cotton production under the Somozas was one of the most dynamic areas of accumulation in the Nicaraguan economy. Production was dominated by relatively technified medium and large-sized capitalist producers, although many of the less powerful were locked into exploitative relations with landowners and those who controlled the export companies and processing facilities (particularly the Somoza group itself).

7.2d The Cotton Sector Under the Sandinistas:

7.2d(i) Overall Production Levels:

Throughout the revolutionary period, the average acreage of cotton cultivated in Nicaragua was maintained at substantially lower levels than it had been in the 1970s. Thus, whilst in the 1970s, the average cotton acreage had been at a level of around 220,000 manzanas (peaking at a high point of nearly 300,000 manzanas in the 1977/78 cycle), during the early revolutionary years the figure oscillated around 130,000 manzanas. This temporarily increased to nearly

165,000 manzanas in the mid-eighties, before crashing to a low point of only 50,000 manzanas in the 1988/89 season (Gomez, 1989:16).

The evolution of total cotton production levels is shown in Figure 7.6, whilst Figure 7.7 shows the evolution of the area of cotton cultivated annually. The sector was significantly affected by the war of liberation and, as shown in Figure 7.6, cotton production levels for the agricultural cycle 1979-1980 were disastrous. During the following years, the reactivation of the sector was given a relatively high priority and, through the easy availability of credit, higher yields were achieved, although total production levels and the area cultivated remained low. Indeed, throughout the revolutionary period, production totals, despite relative improvements in the early 1980s, never approached pre-revolutionary levels. Overall, between the 1980/81 and 1987/88 cycles, total cotton production fell by around 2.5 million Quintales, with the decline particularly dramatic after 1985 (Barahona et al, 1988:45-48).¹²

7.2d(ii) Export Values:

The annual value and volume of exported cotton also exhibited a marked decline during the 1980s. It should be pointed out, however, that the collapse of Nicaraguan cotton production was mirrored in the experiences of the other Central American Republics, to the extent that total cotton exports for the region in 1984 only represented around 50% of their 1979 value (see Table 7.13 below). This was due to a number of factors. Firstly, overproduction by several producers, and the entry of new suppliers onto the market, had led to a glut of cotton on the international market (China, for example, had doubled production between 1982 and 1985, becoming a net exporter in the process, Monserrat, 1989:96). Secondly, international demand for cotton has suffered a relative decline in recent years, both because of the continued development of synthetic substitutes (related to falling international energy prices) and growing international concern about the amount of chemicals in use in the production of the crop and their detrimental ecological effects. Indeed, the particularly severe environmental impact of the expansion of cotton production in Central America has been extensively documented (see Weinberg, 1991 or Faber, 1993).

¹² Weather conditions in particular cycles did not help the sector, although climatic effects were often localized. For example, in the 1988/1989 season the effects of Hurricane Joan brought excessive humidity to some areas, which produced sharp differences in productivity across the sector, with some farms only achieving 12-15 Quintales per manzana and others achieving as much as 50-55 Quintales (Wheelock in *El Nuevo Diario* 05/03/89 and 29/04/89).

Figure 7.6
Nicaragua: Evolution of Total Cotton
Production in Thousands of Quintales
(1974/75 to 1989/90)

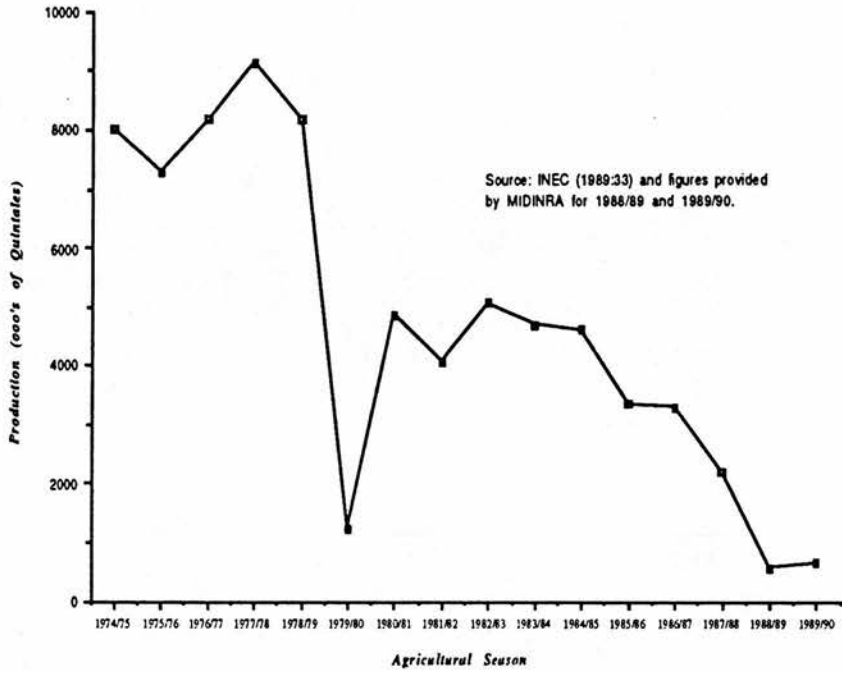
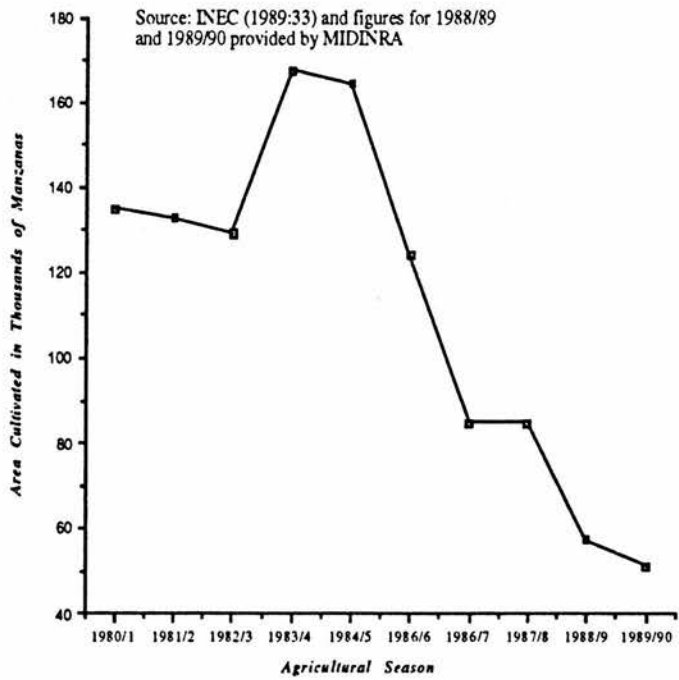


Figure 7.7
Nicaragua: Evolution of Cotton Cultivation
in Thousands of Manzanas (1980/1 to
1989/90)



Demand has also been further depressed by increases in the stocks of cotton held by the major importing countries.

However, there were also a number of factors at play that were peculiar to Nicaragua. Whilst the imposition of the US trade blockade did not lead to the direct loss of markets as it had in other sectors (during the revolutionary period the major markets for Nicaraguan cotton remained Japan and Western Europe), it did intensify problems in the supply of certain inputs vital to the sector (insecticides, spare parts for machinery etc.). When this was coupled with increasing shortages of foreign exchange, as the economic crisis took hold, the embargo imposed serious restrictions upon the highly input-dependent Nicaraguan cotton producers.

The overall evolution of the volume and value of cotton exports during the revolutionary period are shown in Figure 7.8. A number of features shown by the graph are of particular interest. Firstly, there is the previously mentioned collapse of production in 1979, followed by improvements between 1980 and 1981, and again between 1982 and 1984. The latter were also periods of relatively high prices, so the value of exports was able to increase beyond the simple expansion in productive totals. In a similar way, the decline in export values of the mid-to-late 1980s (with the exception of 1988) reflected the impact of declining prices, as well as falling production levels; whilst the increase in export values of 1988 actually coincided with a fall in the volume exported. All of which suggests the key role played by international price movements in the sector. The fluctuations of the international price of cotton are shown in Figure 7.9, which reveals the particularly dramatic falls between 1985 and 1986 and 1988 and 1989.

Furthermore, given the import-dependent nature of the sector, one of the most important factors determining the profitability of cotton production was the relationship between the earnings gained from the commercialization of cotton on the international market and the cost of the imported inputs necessary for production. Until 1984/85 earnings had at least managed to outstrip the costs of imports, although government attempts to control the balance of payments meant that the quantity of those imports had been substantially reduced, with consequent effects upon productivity. Thereafter, however, the combination of falling international prices, the distorted evolution of relative prices, and the declining productivity of all sectors, meant that cotton production became increasingly unviable. The outlook was so bad by the end of the decade that Jaime Wheelock, in an interview in El Nuevo Diario on the 5th of March 1989,

Figure 7.8
Nicaragua: Volume and Value of Cotton Exports (1979-1990)

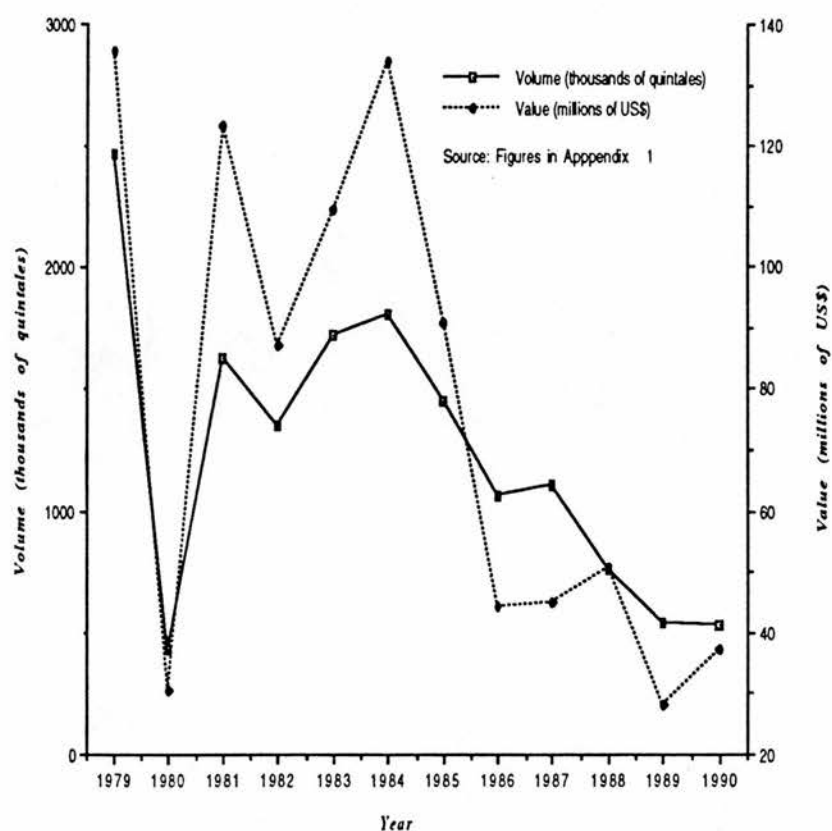
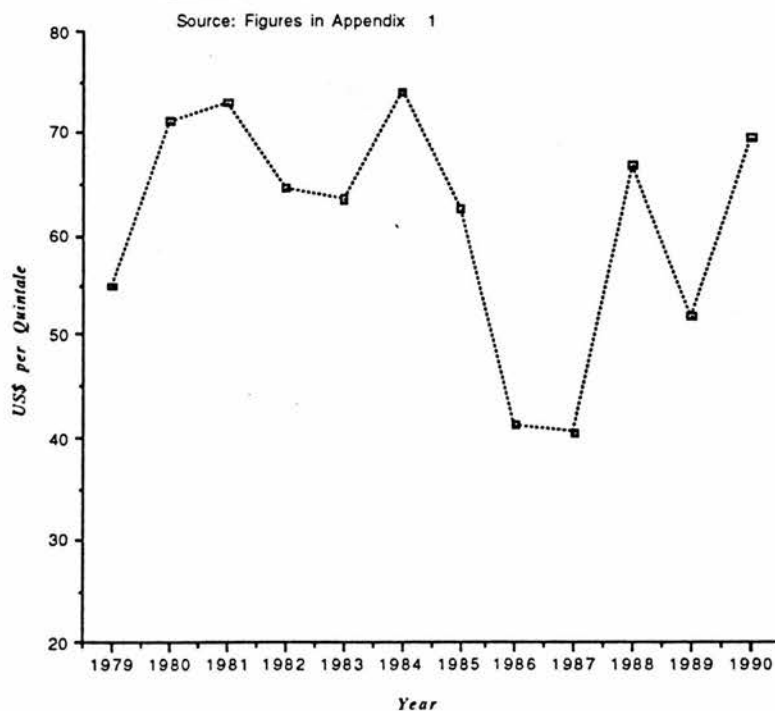


Figure 7.9
Evolution of International Prices received for Nicaraguan Cotton at current prices (1979-1990)



claimed that there was simply no way that cotton exports could be profitable that year, and that production during the following cycle would only be maintained through a series of incentives. These would only be sufficient to generate enough production to cover the needs of the domestic industries reliant on cotton for raw materials and those export contracts which the government had already committed themselves to.

This suggests that, by the end of the decade, an increasing proportion of total cotton production was being utilized by the country's beleaguered industrial sector, rather than exported. Indeed, Trevor Evans suggests that the increasing utilization of Nicaraguan cotton in the textile and cooking oil sectors did at least save the national economy the costs of importing cotton from external sources for use in those activities (Evans, 1988 and Jenkins, 1988). However, in a personal interview carried out in 1990, Admundo Pineda of ENAL, suggested that, whilst the proportion of cotton sold on the internal market did show an increase during the revolutionary period (from about 5% to 10%), this actually reflected the fall in total cotton production, rather than any increase in sales within the domestic market, suggesting the continued dependence of the sector upon international market movements.

7.2d(iii) The Role of the State:

As outlined above, prior to the revolution, cotton cultivation had been dominated by medium and large-sized capitalist farmers. During the revolutionary era, state production was established on the farms of the APP, and the cultivation of cotton by cooperatives and smaller scale peasant producers was also expanded. These changes are reflected in Table 7.10 which suggests that the relative importance of small and medium-scale production of the crop (including the cooperative sector) increased during the 1980s, despite falls in their overall production levels.¹³ Nonetheless, throughout the decade, the capitalist sector continued to provide the bulk of the cotton produced. In 1986, for example, just over 45% of the area sown to cotton was on the land of large and medium sized producers, 26% on cooperatives or the land of smallholders, and just under 30% on the state owned land of the APP (source: MIDINRA cited by Monserrat, 1989:96).

¹³ Baumeister et al (1983:72) suggest that the initial expropriation of the Somoza properties and that of further expropriations, enacted under the 1981 Agrarian Reform Law, had, by 1983, produced a state sector of nearly 300,000 manzanas and a smallholder sector of about 100,000 manzanas

This level of productive activity on the part of the new state sector was only one aspect of the expanded role of the state in the facilitation of cotton production. Under the Somozas, as noted above, the cotton sector had been one of the few spheres in which there had been substantial state involvement. This was expanded upon during the revolutionary epoch. For example, the state farms, the growing number of cooperative and small peasant producers cultivating cotton, and the capitalist sector, all received access to imported inputs through PROAGRO, although some private merchants still imported several inputs under the regulation of MIDINRA. Through this system (and low official exchange rates and regulated internal prices) the state attempted to provide inputs at low prices to all producers. In this way, cheap access to imported tractors, fumigation planes and harvesters was guaranteed; whilst the pricing system was designed to provide cheap access for producers to rent machinery if they could not afford to buy it.¹⁴ Furthermore, cotton producers could get access to credit from the state for up to 100% of production costs, as opposed to only 80% in other sectors, with interest rates set at levels which were, in reality, negative (Monserat, 1989:95). At the same time, given the high level of cotton production that occurred on rented lands (especially smallholder production), the state attempted to significantly lower the rental per manzana for lands used for cotton production (Baumeister et al, 1983:73).¹⁵

To summarize, state activity in the sector encompassed an attempt to provide effective leadership through the highly technified production of the state farms, to improve the position of those renting lands for cotton production and the working conditions of the temporary and permanent workforce, along with sufficient price incentives to the capitalist sector. In addition, as was the case with all traditional export commodities, the external commercialization of cotton was nationalized in the first year of the revolution, with all exports marketed under the auspices of the new state agency, ENAL.¹⁶ With the nationalization of Somoza's holdings, 32% of the country's ginning facilities also passed into government hands (Enriquez, 1991:72-73). Despite the fact that by the 1981-82

¹⁴ The cheap costs of imports also meant that the use of imported inputs in the sector expanded massively during the revolutionary years, further straining the delicate commercial balance. Grigsby (1988:206) suggests that before the revolution the costs of imported inputs had represented just over 50% of the total costs of producers and, as a consequence, despite the high level of technification in the sector, producers had tried to use these resources as sparingly as possible. By 1988, he argues, that applications of insecticides were up to twenty times greater than in the pre-revolutionary period, as their cost (relative to wages, for example) fell (Grigsby, 1988:206).

¹⁵ Although, at times, the government's attempts to control rent levels simply meant that landlords either ignored the new rates or refused to offer their lands for rental.

¹⁶ ENAL were also responsible for the external commercialization of sesame and peanuts (Pineda, 1990).

cycle, of the 25 ginneries operating, 17 were still privately owned, the willingness of ENAL to buy unginned cotton at a reasonable price from small producers largely broke the privileged position enjoyed by the owners of the processing plants and merchants in the pre-revolutionary period. The question remains, however, as to the effects of the changes instigated in the sector upon the opportunities open to, and the performance of, the different property sectors.

7.2d(iv) The Evolution of Economic Policy and the Performance of the Different Property Sectors:

Figure 7.10 examines the total production figures for each agricultural cycle in terms of the different performance of the state, capitalist (large) and peasant (small and medium) sectors. The graph reveals steady growth in state production levels in the cycles to 1983/84 and, despite subsequent falls in productive totals, the continued enhancement of its relative weight in the sector. Thus, whilst in 1980/81 total state production of 867.6 thousand Quintales had represented only around 18% of national production, by the 1987/88 cycle, its production of 680.5 thousand Quintales composed over 30% of the national total (Table 7.10). However, in overall terms, whilst capturing the majority of resources and the attention of the state institutions (at the expense of the cooperative and peasant sector) the state farms did not provide the efficient leadership of cotton production which was envisioned and, in the years prior to 1985, even operated at an overall loss.¹⁷

More serious than this, however, given its weight in the sector, was the collapse in production levels of the capitalist sector that occurred in the years following the 1983/84 cycle. Table 7.10 shows how, in the 1980/81 cycle, that sector had accounted for nearly 70% of national production but by the 1987/88 cycle this had fallen to under 50%. In terms of the actual level of production, this reflected a fall of around 2,300 thousand Quintales. The production levels of the small and medium-scale sector also peaked in the 1983/84 cycle, but their decline in latter years was nowhere near as severe as it was in the capitalist sector and, proportionally, their contribution to national production, over the same period, increased from just over 14% in the 1980/81 cycle to just under 20% in the 1987/88 cycle.

¹⁷ Nonetheless, not all of the state farms produced cotton inefficiently. For example the Ricardo Morales Aviles complex achieved consistently high yields. For example in 1988/89 yields were at a level of 38.9 Quintales per manzana when the national average was 27 Quintales (interview with Jaime Wheelock in Barricada 17/07/89)

Figure 7.10
*Nicaragua: Evolution of Cotton Production
 by Property Sector in Thousands of
 Quintales (1980-1988)*

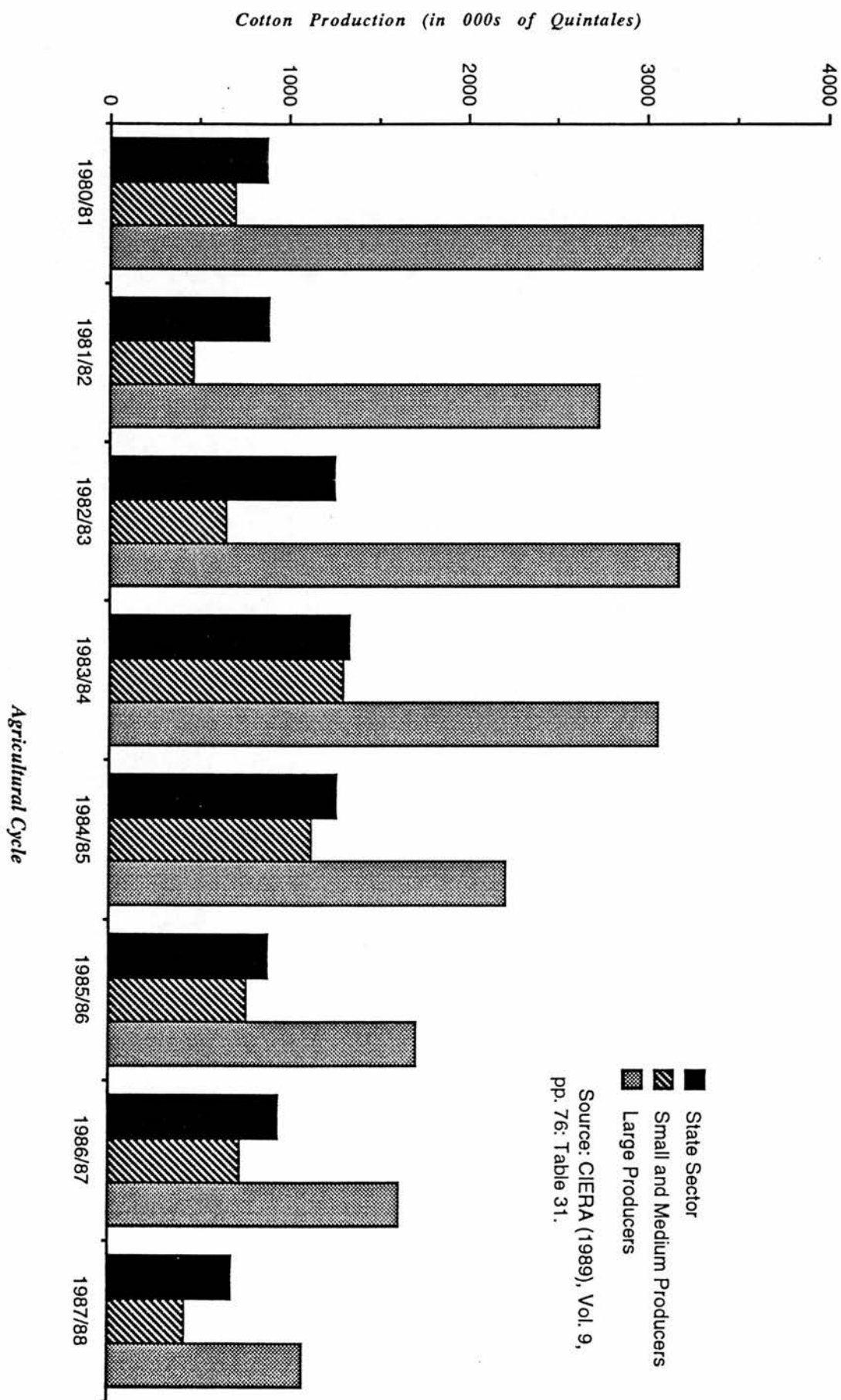
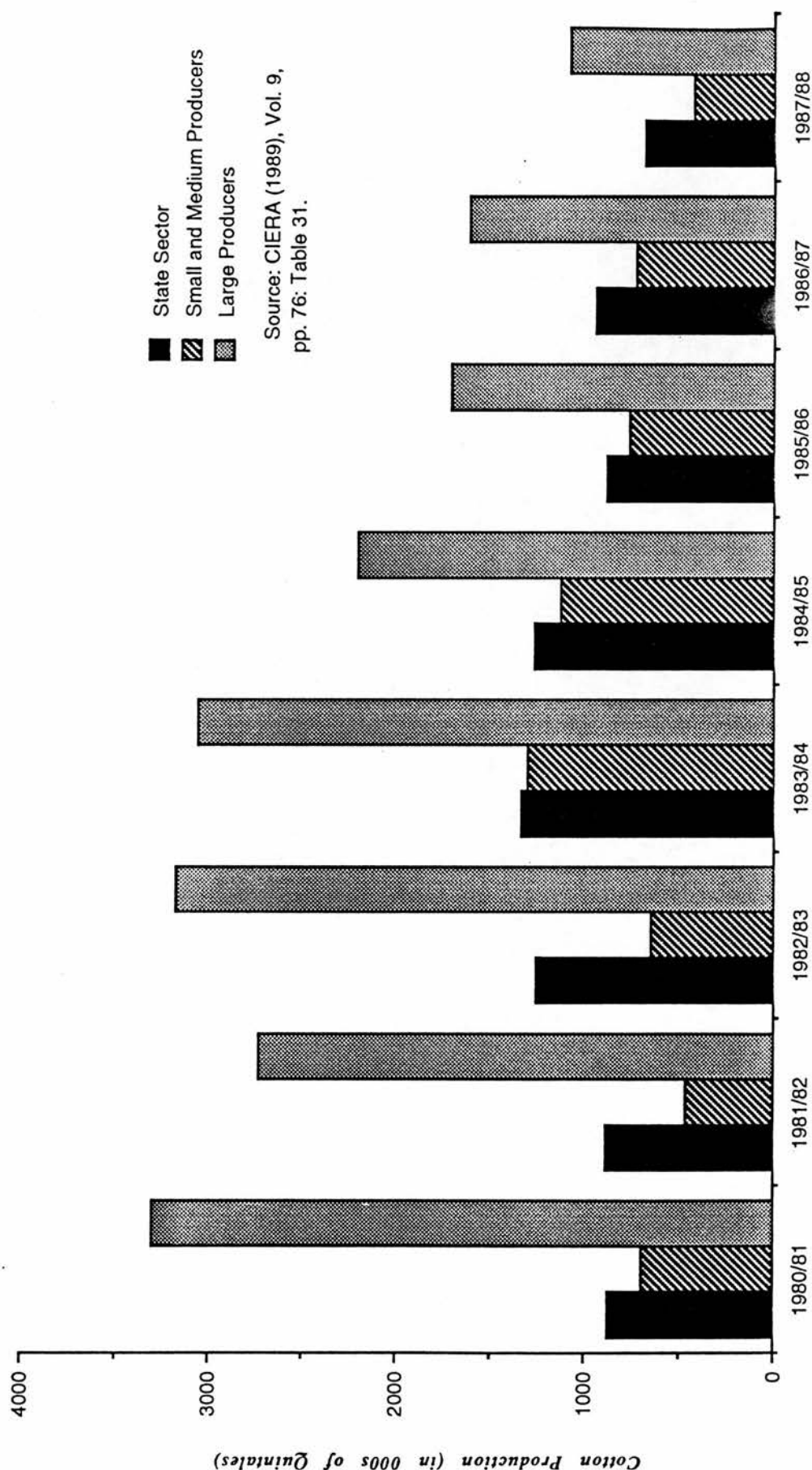


Figure 7.10
*Nicaragua: Evolution of Cotton Production
 by Property Sector in Thousands of
 Quintales (1980-1988)*



Agricultural Cycle

The increasing levels of production on the small farms and cooperatives can also be seen from figures on the evolution of the total cultivated area which are provided in Table 7.11. Expansion was particularly marked in the earliest years, with the total area of cotton cultivated by those sectors increasing from 12,500 to 45,500 manzanas between 1980 and 1984. Furthermore, within that increase it was the cooperatives which showed the greatest expansion. Of the figure quoted above for 1984, 38% represented production on CAS cooperatives, 49% CCS cooperatives, and only 14% that of individuals (Clemens, 1991:109-110).

Evans (1988:54) provides a useful rationale for the differential performance of the various strata. In general peasant producers were prepared to cultivate cotton so long as the guaranteed price received provided them with a basic wage. This is reflected in the initial successes in the development of smallholder production of the crop under the more favourable conditions of the period to 1984. The FSLN hoped that, despite the increased presence of smaller-scale producers in the sector, who they feared would not produce as effectively as the state and large private sectors, yields could be maintained through the provision of cheap inputs, services and technical assistance. In response to the incentives offered, between 1980 and 1984 both the state and the small and medium producers managed to increase overall cotton production, with small and medium producers also quadrupling the area sown to cotton in that period (Barricada 12th September 1983). Overall levels did not fare so well, however, because of the poor performance of the dominant larger producers.

As Evans (1988:54) argues, this fall occurred because capitalist producers required the added incentive of profitability beyond subsistence, which the heavily depressed cotton sector was unable to provide. In fact, the need to offer considerable incentives to facilitate the continued production of cotton by large and medium-scale producers was more pressing than was the case in the coffee sector. This was because, engagement in cotton production, it being an annual crop, is relatively mobile and if producers think that there is insufficient return to be made from cotton, then, given the relatively low fixed costs of cotton production, they are more likely to move to the production of other commodities (Baumeister et al, 1983:76). As recognized in an early internal MIDINRA document;

"The fundamental criterion that determines the working of the sub-system is the financial return of the crop for the large producers. This is to say that the principal variables are short term economic variables:

Table 7.11 Nicaragua: Area of Cotton Sown (thousands of manzanas)						
Productive Sector	80/81	81/82	82/83	83/84	84/85	85/86
State Sector (APP)	22.8	25.4	32.9	47.2	43.6	34.4
Small producers and cooperatives	12.5	15.2	19.1	41.4	45.5	32.0
Large and medium scale producers	99.4	92.1	77.2	77.6	75.2	56.6
TOTAL	134.7	132.7	129.2	166.2	164.3	123.0
Source: MIDINRA, cited in Monserrat (1989:96)						

Table 7.12 Nicaragua: Cotton Yields Achieved per Manzana in Tons (1980/81 to 1987/88)				
Agricultural Cycle	State Sector	Small and Medium Producers	Large Producers	National
1980/81	38.4	33.9	36.2	36.2
1981/82	34.8	28.0	30.1	30.7
1982/83	38.2	35.5	40.6	39.3
1983/84	30.5	31.7	36.9	34.0
1984/85	28.4	25.1	29.6	28.1
1985/86	25.7	23.6	29.8	27.1
1986/87	35.6	35.2	43.1	38.8
1987/88	29.6	20.6	26.6	25.9
Source: CIERA (1989), Volume 9, pp.104-111: Tables 49-56				

the anticipated price of cotton, costs of inputs and labor, taxation and credit conditions. The latter factor plays a very important role given that cotton production is based on circulatory capital, with very little fixed capital. The producer does not use his own capital, but instead money borrowed on a short-term basis." (MIDINRA, 1982) Las políticas para el sector agropecuario: Presentación por subsistemas productivos; quoted in Colburn, 1986:51)

The emphasis placed by the government upon the cheap provision of the needed inputs to the private sector was problematic because, on occasion, they were used to enable the sector to function without any risk to the producer's own capital and without much attention to efficiency or reinvestment. Furthermore, private producers periodically tended to report inflated costs in an effort to secure increased credit and higher government prices for their produce. One tactic was for private producers to reduce costs and then pocket parts of the credit distributed to finance those costs, through, for example, only applying parts of reported fertiliser applications. Producers claimed that these tactics represented the only means whereby they could make a profit under the conditions determined by depressed international prices and the government control of their exports (Colburn, 1986:53,57).¹⁸

Despite the noted collapse in production during the 1980s, yields were maintained at a reasonable level, although, on average, they were somewhat below that achieved in the 1970s. Monserrat (1989:97) gives an average figure of 11.89 Quintales of ginned cotton per manzana between the cycles 1970-71 and 1976-77, and an average of 10.62 between the cycles 1980-81 and 1987-88. Figures in Table 7.12 also show the decline in yields that occurred during the revolutionary period but break down the figures according to the various property sectors. The table reveals that yields remained highest in the capitalist sector right up until the 1987/88 cycle, although levels varied considerably during the decade. On the other hand, although the state sector generally achieved lower overall yields, it did retain a greater stability of performance, exhibiting less fluctuation than either of the two private sectors. Yields had been relatively impressive on the small and medium farms during the initial cycles but, thereafter, excepting the exceptional 1986/87 cycle, they fell progressively. The factors influencing the general decline in yields indicated included: the lack of investment and participation of some of the larger capitalist producers, the scarcity of resources for all sectors (given the lack of exchange for imports and

¹⁸ See below for a discussion of the effects of the evolution of the government's pricing policies.

the economic blockade of the US), the scarcity of labour during the harvest periods especially during the first half of the decade, the poor organization and errors in the decision making of the relevant organs of the state (such as MIDINRA) and the falling productivity of labour.

7.2d(v) Pricing Policy:

With regard to the first of the series of problems noted above, the government attempted to control exchange policy in such a way so as to provide cotton growers with relatively cheap imported inputs and an export price which would provide some incentive to expand production. At first, ENAL had paid producers in cordobas according to the international price of cotton (at official exchange rates) and production had fallen sharply. From 1982, however, an element of incentive was added, whereby the price was fixed for each agricultural cycle, according to an estimate of production costs, together with a profit margin of twenty to thirty percent. In this way, the state assumed a major part of the risks of production, guaranteeing the difference between the guaranteed price and the international price at the time of sale. Nonetheless, for the large private producers what they saw as the overvaluation of the exchange rate meant that the value of such an increase in nominal income was limited. Ostensibly they argued that the new institutional arrangements meant that they were faced with a decline in their direct earnings from cotton production (affecting their willingness to produce), as the cordobas they earned, which, under the previous system, they had been able to exchange for dollars at a favourable rate, became worth only a small fraction of what they had been previously (Colburn, 1986:55-57). In addition, the largest producers had lost the ability which they had previously had to pass increasing costs onto the smaller producers whose cotton they processed or marketed. Nonetheless, between 1982 and 1985, producers did have the right to buy dollars with a part of their profits at the more attractive parallel exchange rate, although this was dependent upon the availability of exchange within the financial system. Despite the incentives offered, the government was forced to admit that cotton production continued to be unattractive, especially after 1984. The subsidisation of the costs of production, through the low cost of imports, was proving extremely expensive and yet still had not effected a dramatic improvement in the sector. In reforms instigated in 1985 guaranteed payments in dollars were offered to every producer who achieved certain yields in their

production (largely determined by the quality of soils in the different regions), but in the context of inflation and severely depressed international prices this incentive was insufficient to persuade producers to expand their production and over the following years production plummeted to its lowest level for decades. By that time, despite the maintenance of heavily subsidized channels for importation, the escalating costs of production meant that it was impossible for producers to obtain the many imported inputs that they needed. This was worsened considerably following the imposition of the US trade embargo in that year. Eventually the situation became so severe that it became policy for MIDINRA to try and limit cotton production to the most ecologically appropriate areas (Enriquez, 1991:162). In addition, Enriquez argues that, despite increasing levels of mechanization (itself a source of the import problems), the sector continued to face labour recruitment problems, with the total number of workers participating in the harvest falling from around 100,000 between 1982 and 1984 to only 17,000 in the 1987/88 cycle, although this also reflected the fact that the area sown had also fallen sharply during the same period (Enriquez, 1991:162).

7.2d(vi) The Reforms of the Late 1980s:

By the 1987/88 season, constantly declining production and low international prices had combined to produce a severe crisis in what was already an extremely shaky sector. This, coupled with the disincentive of the high costs of production and the distortion of relative prices, made cotton an unprofitable and unattractive activity for all producers, factors which conspired to produce a fall in production to levels lower even than the cycle immediately following the insurrection.

The 1988 and 1989 economic reforms improved the situation somewhat, but the prospects, at the time of planting for the 1988/89 cycle, were so bad that many growers were threatening not to sow cotton at all, unless the government did something to help them. The government responded, after a series of meetings with the major producers, by announcing a series of special mechanisms for the cycle. Interest on debts were cancelled, as were bank guarantees, as a form of monetary incentive to producers. Despite these measures, the level of cultivation in the 1988/1989 cycle remained low because of adverse climatic conditions (the effects of Hurricane Joan) and the sector was hard hit by the massively inflated costs of imported inputs caused by the

devaluations involved in the economic reforms. In effect, the combination of the price increase and the pro-export economic reforms could not compensate for the unease still felt amongst producers because of the unprofitable nature of cotton production during the preceding years (Monterray, 1989:7 and CEPAL, 1989:6).

In response to the continued decline of the sector, in 1989 the government announced the formation of the National Cotton Commission. This was designed to ensure the cooperation and communication between the various actors in the cotton sector within the country and in particular between the state and the other sectors (particularly the larger capitalist farmers) and to ensure wider consultation and intervention in the decision making processes within the sector. The development of the Commission, in tandem with the provision of new incentives (paid in dollars, in relation to the quality of the cotton grown,¹⁹ to those producers whose production exceeded their average production over the three previous years) as part of the continued programme of economic reforms in 1989, finally produced an upturn in total production levels in the final cycle of the decade. Nonetheless, the original target of 51.2 thousand manzanas was not met because of climatic problems (the target was missed by 1.6 thousand manzanas; SPP, 1990:22, Pineda, 1990, Ricardo, 1989:82).

7.2e Conclusions:

In many ways the experiences of the cotton sector under the FSLN summarize well the problems which the government faced on the national scale. The effects of international price movements and the war were extremely pronounced. The international market failed to provide any incentive for the development of the sector and necessitated the provision of expensive incentives in the latter cycles of the decade if any cotton was to be produced at all, with severe effects upon domestic financial balances. The effects of the collapse in international market prices can be seen clearly in Table 7.13 where the collapse of cotton production at the regional scale is shown. The table shows how between 1980 and 1987 the amount of land devoted to cotton production, in Central America as a whole, fell by over 50% from 265,000 hectares to 118,000 hectares, reflecting similar falls in production in Nicaragua, El Salvador and Guatemala.

¹⁹ This was possible for producers because of their increasing ability to attract labour in the context of growing unemployment. This allowed an increasing reliance on hand-picked rather than mechanically harvested cotton which improved its quality.

Table 7.13

Central America: Area Harvested and Productivity of Cotton

Area harvested (Thousands of Hectares)

	1980	1981	1982	1983	1984	1985	1986	1987	1988/
Central America	265.7	231.3	204.2	215.9	224.6	190.1	112.5	118.8	
Costa Rica	2.3	0.8	1.0	1.5	2.1	1.6	1.0	1.0	ND
El Salvador	58.2	50.8	48.9	36.7	37.3	27.5	13.0	13.3	12.6
Guatemala	102.3	78.8	59.5	55.9	62.2	67.4	30.7	40.5	40.4
Honduras	8.6	8.0	4.4	4.5	7.6	7.3	4.1	4.0	4.4
Nicaragua	94.3	92.9	90.4	117.3	115.4	86.3	63.7	60.0	40.7

Productivity (Tons per Hectare)

	1980	1981	1982	1983	1984	1985	1986	1987	1988
Central America	2.3	2.4	2.2	2.5	2.3	2.2	2.3	2.5	
Costa Rica	1.0	2.0	1.7	2.5	1.8	2.3	1.8	1.3	ND
El Salvador	2.0	2.2	2.3	3.1	2.3	2.5	2.3	2.1	2.2
Guatemala	3.5	2.8	2.2	3.1	2.9	2.2	2.6	3.3	2.6
Honduras	2.5	2.3	1.9	2.8	2.4	2.0	2.2	2.0	2.0
Nicaragua	1.1	2.2	2.1	2.0	2.0	2.1	2.2	2.1	2.2

Source: Figures Provided by FLACSO (Facultad Latinoamericana de Ciencias Sociales)

The import dependent nature of cotton production intensified the effects of the trade embargo in the sector, even without the direct loss of markets, and further intensified balance of payments problems. The weight of the large and medium-scale capitalist farmers in the sector also increased the necessity of incentives and highlighted the recessionary effects of the lack of participation of the large producers in economic activity during the revolutionary years, despite the previously mentioned widespread provision of government incentives. Matters were not helped by the inefficient nature of state production and the bureaucratic centralism of MIDINRA in the organization of the APP and its dealings with the other productive sectors. The sector was also beset by the problems of low labour productivity and the decline of labour supply during the harvest periods, although the collapse of the sector toward the end of the decade actually served to intensify the increasing levels of unemployment apparent during that period. Finally, despite the initial strides made in the small and medium sized farm sector, in terms of overall production levels and improved yields, those producers were left relatively starved of resources.

7.3 The Beef Sector:

7.3a Historical Antecedents:

The development of commercial ranching in Nicaragua was constructed upon a long tradition of cattle raising. Livestock had been important throughout most of the long colonial period and, in contrast to the other parts of the Guatemalan audiencia, the major form of the colonial hacienda in Nicaragua had been built upon cattle raising rather than agricultural activities. These cattle-based haciendas had mainly produced beef for the domestic market, although substantial numbers of Nicaraguan cattle were also sold regionally in Guatemala. In the years following independence, political unrest continued to limit the possibilities for the commercial development and modernization of ranching, although, as argued by Monserrat (1989:117), the export of meat and other cattle-related products continued to have some importance. Cattle raising continued to play a role in Nicaraguan economic life throughout the twentieth century, but it wasn't until the 1960s that beef production for export markets really accelerated, in response to opportunities in the US market. A modern beef-packing plant was built in 1957 and beef exports increased by 150 million lbs between 1963 and 1973, whilst the total number of cattle is said to have expanded by 46% between 1963 and 1971 (Enriquez, 1991:41).

In response to the outside stimulus of the rapidly growing US market, the Somoza government attempted to capture a growing proportion of national beef production for the export market by increasing the domestic price of beef, thereby limiting the size of the domestic market. At the same time, the state also carried out a number of infrastructural improvements designed to aid the expansion of the industry. In addition beef production was modernised, to a limited degree, through, for example, the import of North American breeding cattle (Enriquez, 1991:41).

The expansion in cattle-rearing occurred in tandem with the migration of agricultural activity toward the Interior of the country and the zones of the agricultural frontier. Often the land was originally cleared by peasants (who had often previously been displaced from the fertile lands of the Pacific by the expanded production of other export commodities, such as cotton and sugar) who were then forced to sell out cheaply to the powerful expanding cattle ranches. The smallholders were then compelled to migrate further toward the agricultural frontier to clear new lands or, occasionally, were able to rent small plots on the ranches. In this way the expansion of beef production was particularly influential in the evolving concentration of land ownership in the

Post-War period as the land-extensive nature of the sector meant that each expansion required further tranches of new land, and yet absorbed very little extra labour from those who had previously farmed that land (Ballard, 1985:2).²⁰

At the time of the revolution, beef exports were still of vital importance to the Nicaraguan economy, although their participation in the total exports of the country were subject to some fluctuation as revealed in Table 7.14. The FAO estimated that there were 2,560,000 head of cattle in Nicaragua in the period 1974-76, although subsequently the sector suffered heavy losses both before and after the insurrection, through substantially raised slaughter rates (increasing to an extraction rate of over 25%) and the smuggling of thousands of cattle across the Honduran and Costa Rican borders (Bonilla, 1990). It is estimated that the combination of these factors had, by 1983, led to a reduction in the total number of cattle in the country to a level of around 2,200,00, a loss of some 360,000 animals (SUAS, 1987:149).

7.3b Characterization of the Nicaraguan Cattle Sector:

At the time of the revolution, the industry still operated at a very low technological level, making little use of investment, capital and inputs (and very un-intensive use of labour) and, therefore, functioned at a very low level of productivity. For example, the annual weight gain per animal in Nicaragua during the years immediately prior to the revolution is estimated at around 28 KGs (compared to 47kg in Argentina and 85kg in the US; Cajina et al, 1989:9). This suggests that the expansion in beef production was achieved through a rapid expansion of the area of pasture (this increased by 30% between 1963 and 1971), rather than any intensification or modernization of production; although, as explained above, this did occur to a certain extent (Enriquez, 1991:41). Most cattle raising in Nicaragua, therefore, continues to be carried out under conditions that have altered little over the past decades or even centuries (Cajina et al, 1989:9 suggest that 90% of cattle raising is still carried out with relatively primitive methods). Traditional breeds dominate the sector and these are raised on natural pasture without significant application of fertilizers or the use of processed feeds, and with little recourse to vaccinations or deparasitization

²⁰ Warnken (1975) estimates that, on average, the raising of cattle in Nicaragua required five man-days per animal. The equivalent figure for coffee was, he argued, 168.9 per manzana, whilst the national average for other agricultural commodities equalled about 43 man-hours.

Table 7.14 Nicaragua: Beef Exports as a Percentage of Total exports

Year	Percentage
1961	8.1
1966	7.5
1971	15.4
1976	7.3
1977	5.8
1978	11.0
1979	16.6
1980	13.2

Source: Appendix 2

(Monserrat, 1989:118).²¹ Despite large loans from the World Bank to facilitate the development of the sector in the 1960s and 1970s, even the massive increase in beef production of that period was achieved through an increase in the amount of land turned over to pasture, rather than productivity improvements or technological developments. This means that, in general terms, the raising of cattle in Nicaragua has remained an extensive activity, utilizing the abundance of natural resources (vast expanses of relatively cheaply available land, natural sources of water and shade), rather than the application of technology or modern livestock farming methods. Traditionally, the larger ranchers have dominated exports, whilst small and medium sized producers have served the domestic market. Overall, despite the existence of small-scale livestock rearing (by 1979 there were about 30,000 producers in the country), beef production has been concentrated into the hands of largest landowners, with almost 50% of pasture in units of over 500 manzanas in 1971 (Enriquez, 1991:42).

Throughout the Post-War period, the cattle sector was one of the parts of the economy most dominated by the Somoza family. Of the seven industrial slaughter houses (mataderos) established in the country by the end of the 1970s (these controlled around 60% of national beef production), the Somoza family owned all but two, and these had not been established until the 1970s. These mataderos were able to control the national industry through their links to the three major export agencies serving the sector and a series of intermediaries who purchased cattle (at relatively low prices) from a certain proportion of the large number of small and medium producers. In addition, the mataderos were also important sources of finance in the sector (financing 28% of national production in 1975). This was facilitated through contracts which imposed rigid deadlines on producers for the supply of their cattle to the matadero. If this deadline was missed, for whatever reason, interest rates on the loans made were raised substantially. That production not captured by the mataderos went to serve the domestic market and was processed in the smaller 'rastos municipales, of which there were slightly over one hundred, largely controlled by local government (Vilas, 1986:77 and Cajina et al, 1989:10,11,20-30). In the early 1970s the dominance of the Somoza family in the sector was challenged by a group of independent producers (part of the BANAMERICA Group) affiliated to the Asociacion de Ganaderos Nicaraguenses. Initially, an

²¹ Most Nicaraguan cattle are of a so called 'dual purpose,' a crossbreed between criollo and Zebu for both meat and milk production, the meat produced is low fat industrial quality akin to that produced in Australia and Holland; Bonilla (1990).

attempt was made to buy out the IFAGAN matadero, the most important in the country. When this was prevented, the group financed the construction of two new mataderos. This improved the regional distribution of the mataderos, at the cost of the evolution of severe over-capacity in the sector. A problem which the FSLN had to confront in the ensuing decade.

7.3c Nicaragua's Cattle Zones:

Three major zones of cattle-rearing can be identified in Nicaragua; the most important variable being the distribution of rainfall regimes (see Map 2).

a) **The Pacific Zone:** This region encompasses the Departments of Chinandega, Leon, Managua, Masaya, Carazo, Granada and Rivas in Regions II, III and IV. The region is not tremendously well-suited to the raising of cattle and, during the six month dry season, the minimum capacity necessary for the sustenance of the cattle is barely reached. This means that the scarcity of forage toward the end of the dry season leads to a considerable drop in milk production and the live weight of animals, and particular problems if the rains are late in arriving (SUAS, 1987:149). The region accounts for about 26% of the total pasture land of the country, as well as 31% of the nation's cattle stock.

b) **The Central Zone:** This region is made up of the Departments of Boaca, Chontales and Jinotega in Region V and part of Region VI. It is the major cattle raising area of the country, with the most abundant pastureland (39%) and around 53% of the total cattle population. It is the only region which boasts a surplus of pastures but it is also that with the most traditional methods of cattle raising.

c) **The Northern Zone:** This region comprises the Departments of Madriz, Nueva Segovia, Esteli and Jinotega in Region I and part of Region VI. It contains 14.7% of national pastures and 16% of the total cattle population. Located in the North of the country it was one of the regions most seriously affected by the Contra War and, therefore, the region's cattle producers suffered serious dislocations during the revolutionary years.

In addition to the regions described, cattle are also raised in parts of the Atlantic Region (5.8% of national production). Overall Nicaragua boasts an area of pasture land of between 5 and 6 million manzanas.²²

²² The above figures are taken from Monserrat (1989:119) unless otherwise stated.

7.3d Cattle and the Sandinistas:

7.3d(i) Generalities:

During the revolutionary period, ranchers in Nicaragua faced a serious complex of problems. The most important of these included, a serious lack of access to inputs, the destruction of infrastructure, worsening terms of trade through a decrease in the international price of beef and related products (although at the time of the revolution the price had been at a particularly high level), and inflationary pressures upon the costs of production. By far the largest impediment to the success of the sector, however, was the destruction caused by the insurrection and the later effects of the Contra-War. The costs occasioned by the insurrection were devastating and the industry never properly recovered from the massive loss of stock. Furthermore, before and after the final struggle against Somoza, many of the largest cattle breeders engaged in a large scale slaughter of their stock, as well as effecting the illegal export of cattle to Honduras and Costa Rica. Through such processes, the years of 1978 and 1979 saw the highest levels of animals slaughtered in Nicaraguan history, with an average of 448,000 animals slaughtered per year, and the production of approximately 136 million pounds of beef annually (see figures below). In addition, the damage wrought was far worse than suggested by the simple total of animals slaughtered because those totals also included a certain proportion of breeding stock, seriously affecting the possible recovery rate and the future security of the sector.

7.3d(ii) The Evolution of Production:

The data in Table 7.15 shows that during the first half of the decade there was a sharp recuperation in the overall production of meat in the country, which encompassed both domestic and export markets. Production increased from an appalling low in 1980 (the lowest since 1969, excepting the collapse of 1974) to a peak in 1983; although thereafter there was a sustained fall (Cajina et al, 1989:36). The reasons behind this were several. Firstly, the increase in the number of animals slaughtered annually in the period up to 1983 reflected an increase in the demand for meat in the domestic market following the revolutionary triumph and the previously mentioned processes of decapitalization. Between 1980 and 1984 there had also been a marked expansion in credit provision to all sectors and the government had offered the incentive of higher prices for weight and quality. However, in the case of the

Table 7.15 NICARAGUA: Animals slaughtered and production of beef 1972-1987

Year	Animals slaughtered (000's of cattle)	Beef production (000's of pounds)	Productivity (pounds per head)
1972	318	102,714	323
1973	308	97,020	315
1974	220	75,900	345
1975	324	100,764	311
1976	370	111,600	313
1977	382	114,700	300
1978	470	143,820	306
1979	424	127,200	300
1980	348	104,000	299
1981	245	78,100	317
1982	302	92,200	305
1983	309	98,300	317
1984	296	96,100	324
1985	269	76,046	282
1986	228	62,300	273
1987	191	53,637	280
1988	226	nd	nd

Source: Elaborated by Monserrat (1989:120) on the basis of figures from Banco Central de Nicaragua, Direccion General de Ganaderia and Anuarios Estadisticos de INEC. Except figures for 1988 from CIERA (1989), Volume 9, pp. 310: Table 250.

cattle sector, the generous credit supplied by the Banco Nacional de Desarrollo often, especially amongst the largest private ranchers, tended to be used to develop extractive, rather than reproductive, activities. This meant that the higher levels of cattle slaughtered in the years leading up to and including 1983 reflected the rapid decapitalization of the sector, rather than any expansion in productive activity. This is reflected in the estimates for the evolution of Nicaragua's cattle population which are provided in Table 7.16.

From 1984, the lack of productive investment in the large private and state sectors (see below), the effects of continued decapitalization, and the intensification of the Contra War, all served to weaken the sector. Furthermore, worsening transportation problems and increasing inflation, linked to a fall in guaranteed prices, meant that the alternative markets of the licensed private domestic sector (*the rastos municipales*) and clandestine slaughter-houses became more attractive than selling to the state. This means that the national figures for the latter years of the 1980s need treating with some scepticism, since those figures will obviously not include all the animals killed clandestinely and the meat produced and sold on the black market. For the government, all of this represented a continued decline in the official production of beef, which was made more worrying by the fact that studies also revealed a low level of restocking, reflecting a lack of productive investment in the sector and the continued erosion of the total cattle stock of the country (Montserrat, 1989:118).

7.3d(iii) Beef Exports:

In the specific case of the export market an even more depressing picture emerges. Following the massive totals of 1979, exports collapsed in the next two years, before increasing again during 1982 and 1983. Thereafter, exports remained depressed until the end of the decade when totals finally began to increase once again. The evolution of total export figures, according to volume and value, are shown in Figure 7.11.

It is interesting to note from the graph that the trajectory of export values and volumes remained extremely similar, suggesting relatively little influence from the fluctuations of international prices. On closer reflection, however, this hides some factors of historical significance. Traditionally, the international market for beef had been one of the most stable commodity markets. The collapse in commodity markets described in previous chapters was not, however, ineffectual in this sector. During the 1970s, international beef prices had begun

Table 7.16 Evolution of the Number of Cattle in Nicaragua (Thousands of animals)

Year	Cattle	Year	Cattle
1952	1,116	1982	2,320
1957	1,182	1983	2,260
1963	1,252	1984	2,350
1971	2,236	1985	2,360
1978	2,800	1986	1,960
1979	2,303	1987	1,800
1980	2,300	1988	1,600
1981	2,290		

Source: MIDINRA, Direccion General de Ganaderia; Informaciones Agropecuarias; Quoted in Monserrat (1989:118)

Figure 7.11
Nicaragua: Volume and Value of Beef
Exports (1979-1990)

Source: Figures in Appendix 1

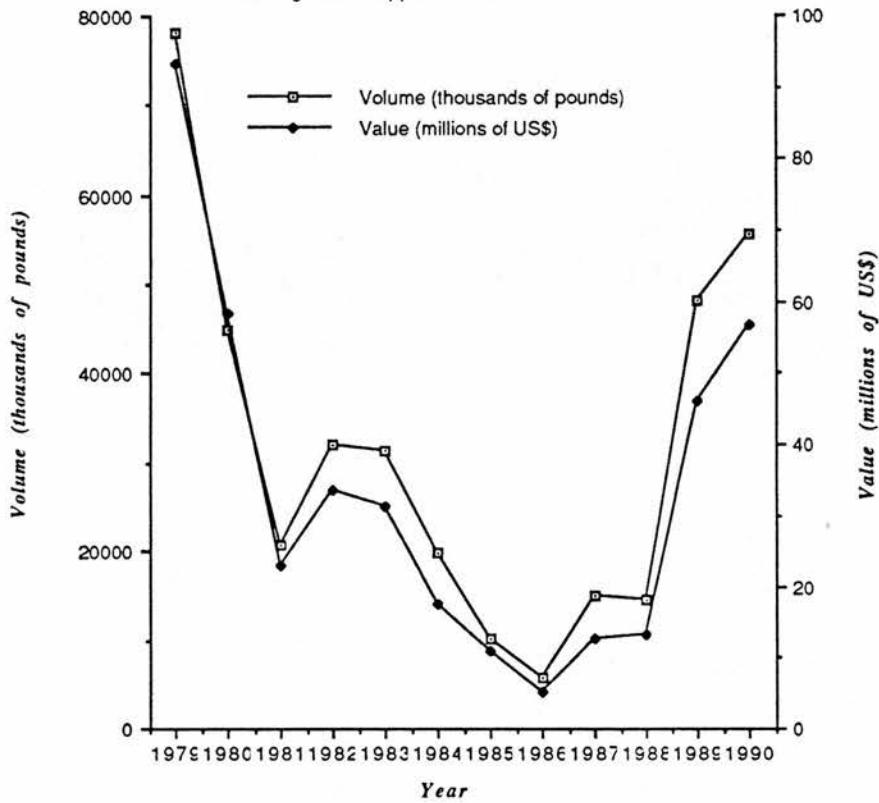
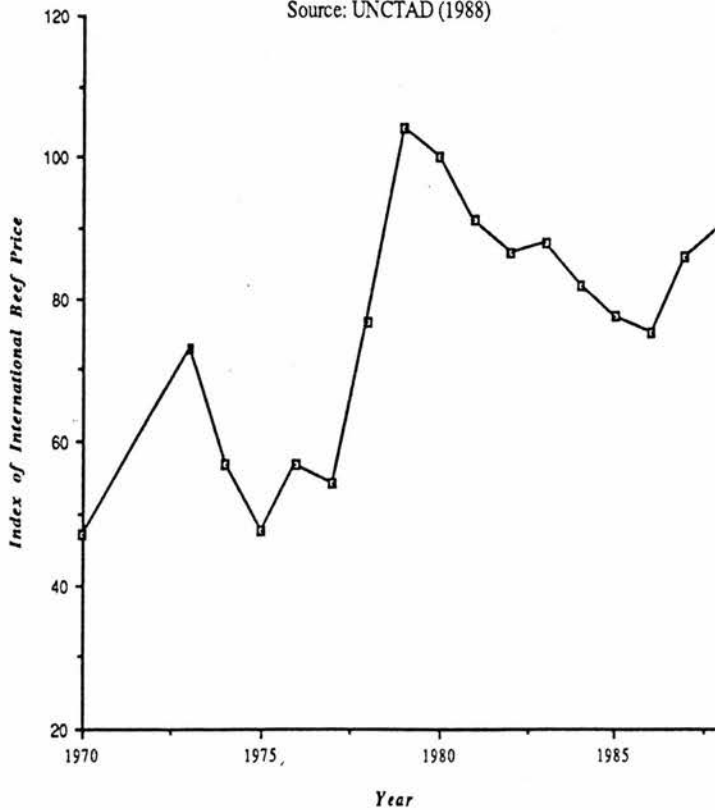


Figure 7.12
Evolution of International Beef Prices
(Index: 1980 Price = 100)

Source: UNCTAD (1988)



to fluctuate much more widely than they had previously and, on the whole, they increased during that decade; although the fluctuations meant very low prices in particular years (1974 being a case in point). They were then, however, to decline for most of the 1980s from the high point reached in 1980, with a particularly sharp fall between 1983 and 1986 which reflected the influence of the US drought of that year. This had induced increases in US beef production, as ranchers there had cut their losses by slaughtering their herds. It also reflected an expansion in Australian production (Bonilla, 1990 and Monserrat, 1989:116). Figure 7.12 shows the relatively high international price at the beginning of the revolutionary period and the way in which, even though prices fell over the following years, they did remain higher than pre-revolutionary levels.

7.3d(iv) Markets and the Trade Embargo:

Possibly of greater consequence upon declining export levels, than the evolution of international prices, was the imposition of the US trade embargo in 1985 and the consequent search for new markets imposed upon government planners in the sector. Even in 1981, 84.4% of all beef exports had still been destined for the US market (before the revolution the figure had been as high as 97%) with a further 14.4% going to Puerto Rico. The loss of the Puerto Rican market in 1983, and a declining position in the US market, were crucial blows in the following couple of years and by 1984 exports to both markets only constituted 46.4% of total Nicaraguan beef exports, with the difference going to Canada and Cuba. In 1985, exports to the US increased again but were then halted completely with the imposition of the trade embargo. By 1990 the two major export markets were the Canadian (around 70%) and the Mexican (around 25%). The impact of this was of some importance because the new markets commanded significantly lower prices. The price received in the Canadian market was, for example, at least 10 cents per pound lower than could have been earned in the US market and commercialization in the Canadian market also involved much higher transportation costs than had been incurred when the majority of Nicaraguan beef had been exported to the Southern states of the US (Bonilla, 1990).

7.3d(v) Institutional Changes and the Role of the State:

As has been outlined with reference to each of the commodities considered in this chapter, one of the first acts of the revolutionary government was to nationalize the administration of international trade. From 1979, beef exports passed under the sole control of a new state agency, ENCAR (Empresa Nicaraguanse de la Carne). This organization saw its chief function as to attempt the diversification of export markets and obtain the highest possible price for the beef exported; two criteria which at times, given the experiences described above, proved to be contradictory. In addition, over the course of the first couple of years, the seven industrial slaughter houses were also nationalized and came to be administered under the auspices of the State company, ENAMARA. These primarily serviced beef destined for the export market. The smaller mainly private municipal slaughter houses continued to serve the domestic market. Initially ENCAR had bought animals directly from the producers and then paid ENAMARA for processing who then returned it to ENCAR for commercialization. From 1981, however, ENAMARA achieved a greater degree of autonomy from ENCAR and were able to buy directly from producers leaving ENCAR as solely a commercialization agency (Bonilla, 1990). Despite these attempts to manage the sector, the previously outlined growth in the clandestine slaughter and marketing of cattle severely affected the ability of the state to capture production for the export sector (as well as the supply of sub-products to the industrial sector).

Despite enjoying a monopoly over the modern industrial production of beef for export markets, the state-owned mataderos faced a series of serious problems and, as shown in Table 7.17, their capture of the official production of beef never surpassed about a third of the national total. The lower levels shown for 1980 reflected the continuing existence of privately-owned mataderos, whilst, thereafter, the increasing levels of private production shown in the Table reflected the continuing tendency for producers to sell to the private municipios of the domestic market. The relative improvements in the percentage of national production accounted for by the state mataderos which followed toward the end of the decade reflected a shift in policy which gave ENAMARA a monopoly in Regions III and IV (Cajina et al, 1989:60).²³ The state's monopoly in those regions also, however, reflected another problem for the mataderos. This was that, as the decade wore on, an increasing shortage of spare parts had led to the

²³ In 1983 ENAMARA had actually proposed the closure of all the 'rastos municipales in order to reassert their control over national production. The proposal brought strong protests from many sectors (including UNAG) and was eventually shelved, although as argued above, a monopoly was granted in Regions III and IV (Cajina et al, 1989:56)

Table 7.17 Nicaragua: Evolution of Industrial Beef
Production by Property Sector

Year	State Production (%)	Private Production (%)
1980	17.3	82.7
1981	31.2	68.8
1982	30.9	69.1
1983	32.6	67.4
1984	33.1	66.9
1985	31.7	68.3
1986	28.6	71.4
1987	15.7	84.3
1988*	14.5	85.5

*- Preliminary Figures

Source: CIERA (1989), Volume 9, pp. 300: Table 244

progressive closure of all of the mataderos except for those located in those regions, further restricting the state's ability to compete with the private sector in those parts outside of Regions III and IV. A further problem was that, in the context of growing inflation, the system of guaranteed prices (through which the mataderos tried to capture beef production) proved increasingly insufficient, given the escalating production costs imposed by the high price of inputs. This same process made it more attractive for producers to sell to the private sector. Overall, the continuing inability of the mataderos to capture sufficient proportions of national production led to serious problems of excess capacity and, therefore, decreasing profitability; adding to the growing state losses involved in the subsidization of the export sector (Cajina et al, 1989:32).

One of the benefits of the nationalization of the mataderos was that it broke the power which intermediaries, private export firms and the owners of the processing facilities, had exerted over the smaller and medium-sized ranchers. These sectors gained from the expansion of credit supply and the improved provision of needed inputs by the state (especially to the prioritized cooperative sector). Nonetheless, considering the peripheral location of many small and medium-sized ranchers, they were seriously affected by the dislocations to transport facilities and infrastructure caused by the war. This imposed a continued dependence upon intermediaries and large producers, through their continued monopolized of those transportation and other facilities which remained. This obviously had a negative effect on production levels, given the weight of small-scale cattle raising in the country.

Overall, therefore, although the breaking of the exploitative relations that existed between the small producers and the mataderos had been achieved, it was only partial, because of the inability of the state to adequately substitute for the role of intermediaries or offer adequate producer prices (see below). In turn the transformation of social relations in the sector, whilst part of the FSLN's strategy for the sector, had the contradictory effect of limiting the ability of the mataderos to capture a sufficient proportion of total production.

7.3d(vi) Attempts at Modernization:

One of the means whereby the state tried to improve the poor performance of the mataderos was through a massive programme of investments designed to improve the productive performance of the state farms and increase the amount of cattle arriving at the mataderos from that source. Accordingly, throughout the

revolutionary period, the state increased its productive, as opposed to industrial, presence in the sector, although the majority of beef (about 80%) continued to be produced by private producers, both large and small scale. The government thus put considerable effort into the rejuvenation and development of the primary cattle raising activities of the sector. Two major cattle projects were developed. The 'Oyathepe' project (located between Lake Nicaragua and the Oyathepe river) which was intended to encompass the development of 42,000 hectares of pasture for beef production, and the 'Punta Gorda' project designed to cover an even more extensive area in the South of the Zelaya Department. MIDINRA (the agricultural ministry) saw the development of these more technologically advanced farms as the spearhead of a national campaign to increase beef production. In 1980, as part of the same programme, MIDINRA also founded the 'National Pasture Programme'. The state sector was also the site of the rapid development of an artificial insemination programme, with the inauguration of a Semen Bank in 1983 using imported sperm, as well as native bulls of high generic quality. The programme also saw the development of irrigation schemes and the introduction of new grass varieties to try and overcome the problems of the dry season in the Pacific zone.

Taken together these projects represented an attempt by the state to modernise and increase the productivity of the sector. Nevertheless, the vast bulk of cattle raising continued to occur in the private sector and both the capitalist and peasant sector gained little from the modernization programme; whilst the productive performance of the enhanced state sector was disappointing. The large capitalist sector continued to decapitalize and gave little response to the offering of incentives, whilst the peasant sector remained relatively starved of funds and increased the proportion of their production marketed clandestinely.

7.3d(vii) The Evolution of Economic Policy and the Balance Between Export and Domestic Production:

The government faced a severe contradiction in meeting its two major policy objectives in the sector, the guaranteeing of export revenues and the provision of meat at low cost for the population (as part of a commitment towards meeting the basic needs of popular consumption). These contradictions enhanced the economic problems facing the government as the maintenance of artificially low official prices in the domestic market, in reality, represented the evolution of public deficits through the difference between the subsidized market prices and the prices paid to producers by the mataderos. At another level, it also served as

a disincentive for producers to sell to the mataderos, as official prices remained much lower than those which could be obtained from the private municipal slaughter houses, who could afford to offer higher prices because of their lower commercialization costs,²⁴ and the illegal black market slaughter and marketing of cattle.

Over time, the imbalance of relative prices, especially exchange rates, worked to the disadvantage of those wishing to export, and further encouraged the transfer of production from the export to the domestic sector. Bonilla (1990) suggests that, by 1985, the imbalance between international prices and domestic prices was such that the international price received for a whole carcass could only buy 8lbs of fillet steak on the domestic market. Under these conditions it was patently unprofitable to export and yet ENCAR were still required to do so. Given the problems and lack of progress experienced in the sector, the government launched a new law in 1986, 'La Ley de Defensa del Patrimonio Ganadero,' to try and ameliorate the decline of the sector. The law attempted to exercise greater control over the level of extraction in the sector so that it might be limited to within margins that were not so threatening to the reproduction of the herds and the longer term survival of the sector. The previously described modernization schemes in the state sector were added to, within an attempt to increase the levels of productivity (through the increasing use of more modern techniques) and ensure a more just distribution of meat to all sectors of society; whilst ensuring that the state municipios received enough supply to improve the disastrous export situation. The programme was also accompanied by a series of changes in pricing and incentive policies. Incentives paid in dollars were introduced to encourage producers to sell their cattle to the state mataderos. Previously, the prices offered by ENAMARA had been as much as 60% below that which could be obtained in the private sector let alone on the black market. In addition, those who offered their cattle to ENAMARA were offered free or cheap transportation of their cattle to the slaughter houses and improved access to machinery and inputs. As detailed in Table 7.17, however, in the continued context of decapitalization, inflation and war, the programme failed to produce the desired effects and the ability of the state to capture beef production declined still further in the following years.

²⁴ The private slaughter houses were able offer lower prices because they did not have the same regional coverage as the mataderos. Furthermore, they were less hygiene conscious, could employ non-unionized, and hence cheaper, labour, and paid less attention to the quality of the stock which they purchased.

To summarize, therefore, one of the main features of the revolutionary period was the shift toward internal consumption within the sector. In 1982 40.9% of beef slaughtered in Nicaragua was consumed internally. By 1984 this had increased to 61%. Due to inflationary pressures the prices paid on the internal market consistently outstripped that which could be commanded by the guaranteed prices paid for exported meat. To some extent this was a conscious decision on the part of the government to try and honour its commitment to prioritizing the satisfaction of basic necessities as much as the generation of foreign exchange.

The increase in the percentage of production going to the internal market did at least appear to suggest a governmental success in meeting the needs of the population, (at least in the provision of this particular commodity), despite the problems to the overall economy the loss of export revenues represented.

However, Monserrat (1989:122) argues convincingly that much caution should be exercised before such a claim can be accepted. As Table 7.18 shows, given the increase in population, the production of meat for the internal market during the revolutionary years still failed to meet the levels per head achieved in the mid 1970s; although admittedly those peaks occurred during the boom years of the sector. There is no doubt that there was a considerable increase in the percentage of beef produced being sold on the internal market but the disappointing overall national production levels after 1983, and the continued population growth, conspired to stop the transfer of such an increased percentage into an increase in the amount of beef consumed per head.

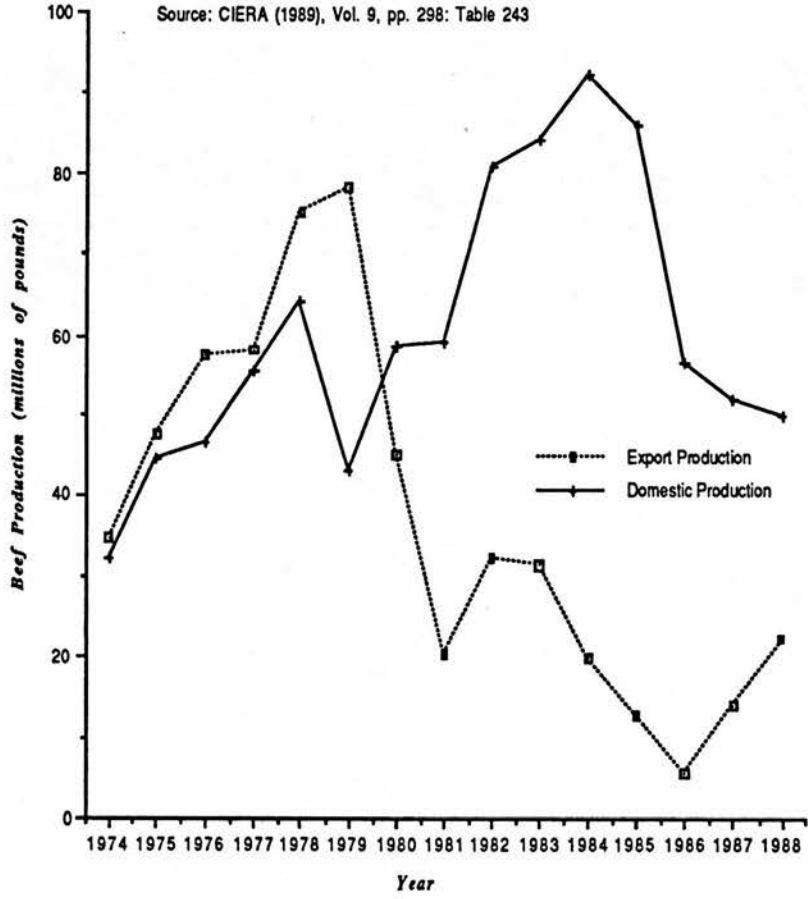
However, despite this, it must be remembered that the national figures cited can not have included the increasing amount of beef being produced clandestinely and sold on the black market in the major cities of Regions III and IV. The officially recorded totals for the export and domestic markets are shown in Figure 7.13.

7.3d(viii) The Reforms of the Late Eighties:

Export production finally began to recover under the influence of the pro-export economic reforms of the late 1980s. The most important development was the recovery of the export price vis-a-vis the domestic. For example, by late 1989 the export price was higher than the domestic by a ratio of about 14:10. So extreme were the rapid changes that the expansion of exports to the Canadian market was derided by Canadian competitors as equivalent to 'dumping'

Table 7.18 NICARAGUA: Internal Consumption of Beef			
Year	Population (Thousands)	Internal Consumption of beef (millions of pounds)	Pounds per capita
1972-1977	2,369	48.1	20.2
1972-1979	2,440	50.8	20.6
1980-1987	3,120	60.3	19.5
Source: Monserrat (1989:122) on the basis of figures from the Direccion General de Ganaderia, INEC and the Banco Central.			

Figure 7.13
Nicaragua: Beef Production for Export and
Domestic Markets in millions of pounds
(1974-1988)



because the Nicaraguan price was suddenly so much lower than those of local producers (Bonilla, 1990)

As part of the reform process the 'Corporacion Nacional de la Carne was formed in 1988. The new organization united the role of ENAMARA and ENCAR under one organization, improving the efficiency of the sector noticeably. The corporation controlled the seven industrial slaughter houses (two of which were not functioning by this time) and commercialization in both the domestic and export markets (although much domestic production continued to be carried out illegally). Together, the formation of the new organization and the incidence of the economic reforms gave a considerable impulse to export production and the industrial slaughter-houses were able to capture a much greater proportion of national production. Evident in the improvements in export totals in the final years of the decade described earlier.

7.3e Conclusions:

The beef sector provides one of the best examples of the contradictory dynamics of the revolutionary process. The decision to stimulate production for the domestic market and provide beef for popular consumption, at subsidized prices, seriously constrained the export potential of the sector and the low producer prices provided little incentive for the largest ranchers to invest in increasing production levels, or even rebuilding their herds after the destruction of the insurrection. Decapitalization, in such a context, continued to be a problem until the latter half of the decade, although it was most significant in the initial years. Overall, the damage done to the size of the national herd would take decades, rather than years, to be overcome. The ability of the state to generate exchange in the sector was seriously constrained by a growing informalization of production (evidenced in the the growth of illegal black market slaughtering and marketing of beef) and the consequent inability of the state to capture a sufficient proportion of national production. It was also affected by erratic international prices, although the loss of the US and Puerto Rican markets was far more important in determining the declining value of exports, as the new markets which had to be found commanded significantly lower prices.

Attempts to overcome the problems of supply to the state-owned industrial mataderos, through large-scale investments in state productive activities, ultimately failed to deliver the hoped for returns and the primary production of

beef continued to be dominated by the private sector. Small and medium ranchers and the cooperative sector gained from the eradication of exploitative relations with commercial capital and improved access to credit and other services but in reality were faced with the same disincentives as the larger producers. The shift in policy at the end of the decade finally affected an increase in the level of exports, although this appears to have been at the cost of increased prices and decreased supply in the domestic market.

7.4 The Sugar Sector:

7.4a Introduction:

Sugar, for both export and domestic markets, has been produced for a good number of years in Nicaragua and it is a commodity that has experienced particularly stark fluctuations in international prices over the years. One of the major reasons for this is that only 20% of the sugar grown globally is ever sold on the international market. In this way, even small decreases in total production may result in a dramatic decline in total international supply and major increases in the international market price. In the 1980s, the international market for sugar has continued to be extremely volatile, reflecting the growth of anti-sugar dietary habits in export markets and the influence of over production of sugar in the European Community. A marked expansion in the production of sugar had occurred in Nicaragua, and the other Central American republics, in the decades following the Second World War but was relatively short lived. By the end of the 1970s, the sector was facing falling production levels, declining international prices and reductions in the preferential quotas for the US market. The changing importance of sugar exports to total Nicaraguan exports is shown in Table 7.19.

7.4b Regions of Cultivation:

The major areas of sugar cultivation in Nicaragua are located in Regions II, III and IV (see Map 2), with the majority of production concentrated in the first of those regions. In the 1980/81 agricultural cycle, for example, nearly 70% of Nicaraguan production was concentrated in Region II (also the main region of cotton cultivation in the country), with 11% in Region III and nearly 17% in Region IV. Region II still enjoyed the same concentration of production in the 1987/88 cycle, although production in Region III had increased to nearly 25% of the total, whilst that of Region IV had declined to a level of only 3.5% (little more than that produced in Special Regions 1 and 2 in both cycles; figures from Table 7.21 below)

7.4c Inherited Productive Structure:

Due to the technical nature of sugar production, the sector has largely been the preserve of large private companies (in 1977, for example, 95% of total production was in their hands, SUAS, 1987:128). In fact, the ingenios (sugar

**Table 7.19 Nicaragua: Sugar Exports As Percentage
Of Total Exports**

YEAR	PERCENTAGE
1961	4.0
1966	1.5
1971	6.2
1976	10.2
1977	4.4
1978	3.1
1979	3.5
1980	4.6

Source: Appendix 2

mills) were the first enterprises in Nicaragua to operate under relatively advanced capitalist relations of production (see discussions in Chapter Three regarding the Ingenio San Antonio and its significance at the turn of the century). Thus, even before the dramatic developments of the 1960s, when the US boycott of Cuban sugar opened up the US market to Nicaraguan producers and production expanded from around 32,000 manzanas in 1963 to 55,500 manzanas by 1976, the cultivation and processing of sugar in Nicaragua had long been dominated by those who controlled the ingenios (Dubois, 1983). Each of these ingenios operated in a clearly defined territory, producing sugar on its own lands and purchasing cane, via contracts, from local growers on the surrounding lands. Thus, historically much of the land devoted to sugar production has been controlled directly by the ingenios themselves and the rest has, on the whole, also been tied to the ingenios through yearly contracts.²⁵ Even the contacted growers often tended to be medium-sized and there was, therefore, relatively little peasant production within the sector. Dubois et al (1983:9), using figures from the 1971 agricultural census, suggest that, at that time, 95% of sugar was produced on farms of over 50 manzanas, 4% on those of between 10 and 50 manzanas, and only 1% on those of under 10 manzanas. As the importance of sugar to the economy grew, so the importance of those owning the sugar mills has also expanded. Before 1940, there had been about 23 ingenios, although the massive San Antonio complex produced as much as three quarters of the national total (Sepulveda, 1984:58). By the time of peak national production in the 1970s, the number of ingenios had been reduced to seven, and the industry was dominated by two major interests; the Somoza group and the Pellas-Lacayo group (the owners of the San Antonio). The latter group had controlled about 70% of national production in the 1950s, maintaining its dominant position through monopolization of refined sugar production and the best rum producing facilities in the country. With the expansion of the 1960s, the group consolidated its position through the purchase of two further ingenios (the Monte Rosa and the Amalia; Whiteford et al, 1987:175). The individuals controlling this group were part of the BANAMERICA national grouping (see Chapter Three), although, ironically,

²⁵ Of the small amount of national sugar production not processed by the ingenios, Dubois et al (1983:11) suggest that around 85% related to production which was situated far from the zone of influence of any of the ingenios.

the two ingenios purchased in the sixties had been linked to the BANIC group (Dubois et al, 1983:46).²⁶

The Somoza family had first seriously turned their attention toward sugar production in that same period. They had bought the Montelimar Ingenio in 1948 (in the revolutionary period this ingenio was renamed Ingenio Julio Buitrago), and this had undergone renovation in 1952 and was further upgraded in 1964. Their influence in the sector rapidly expanded in the 1960s through the purchase of the Dolores (later Benjamin Zeledon) and the Santa Rita (later Camilo Ortega) ingenios (Whiteford et al, 1987:175 and Dubois et al, 1983:26).²⁷

The surpluses produced in the expansion of sugar production during that period were marketed entirely in the US, through quotas of white and brown sugar. Generally, until the 1960s, the price paid for the exported sugar had been less than could be obtained in the domestic economy but, after the Cuban revolution, the international price of sugar increased and the quotas of the US market distributed to Nicaragua and the other Central American republics rose, stimulating the expansion of export production described above.

In summary, at the time of the revolution, the sector was one of the most highly technified areas of the economy, both in terms of cultivation and processing and, as described above, had importance in both the domestic market and the generation of exchange; although its role in the latter never reached the significance of cotton or coffee production. Sugar was important to national employment, however, since the labour requirements per manzana for sugar cultivation are higher than any other Nicaraguan commodity except coffee (Dubois et al, 1983:58).

7.4c Sugar and the Sandinistas:

7.4c(i) Production Levels:

Overall, the revolutionary years were not successful ones in the sugar sector. After the revolution, there had initially been a fall in production in the 1979/80 agricultural season, relating to the disruption of the insurrection and low international prices. However, in the next couple of years there was a marked increase in the area under cultivation, especially within the state sector, where new lands were turned over to sugar production. From the 1982/83 cycle,

²⁶ This reflected the gradual integration of the traditional groups of Nicaraguan capital which occurred during this period.

²⁷ The machinery at the Santa Rita was dismantled and re-established as a new ingenio at Cubra Hill.

however, the sector entered into a marked decline, with production levels entering into a sustained fall and the total area cultivated following suit in the next cycle. Furthermore, the productivity of the sector declined markedly during the 1980s, with yields falling by an average of 4.75% per annum between the 1982-83 and 1987-88 cycles (Montserrat, 1989:105).

There were several reasons behind the decline of the sector. Firstly, the international price offered little incentive for further developments in the export potential of the sector, a position intensified by the loss of the US market in the mid-eighties. The problems of the sector were also intensified through the imposition of the US trade embargo, as the machinery in use in the sector (harvesters, processors and irrigation equipment) became increasingly obsolete and difficulties were encountered in finding spare parts. The lack of exchange in the economy also hindered the acquisition of the inputs required by the sector. Even the newly-initiated Victoria de Julio complex (see discussions below), which escaped the problems of dependence upon American spare parts to some degree, was never to operate at full capacity. In addition, there were problems in securing sufficient labour for the harvest periods, especially in regions II and IV and Special Zone II, as well as marked falls in the productivity of labour. The latter differed from ingenio to ingenio, reflecting both the management practices of the mills' officials and climatic variations.²⁸ In the final years of the decade all of these problems were accentuated by the incidence of periodic droughts.

There was finally, however, a substantial turn around in the period from 1988, when the formation of CONAZUCAR (Corporacion Nacional del Azucar), the pro-export economic reforms, a rise in international prices, and the nationalization of the Ingenio San Antonio, resulted in a considerable productive recovery.

The evolution of total production levels and the area cultivated are shown in Figures 7.14 and 7.15.

7.4c(ii) The Export Sector and the Evolution of International Sugar Prices:

If attention is focused upon the level of exports specifically, the picture that emerges is, if anything, even less encouraging. Between 1979 and 1981 there had been something of a recovery in export values. Thus, despite a fall in the

²⁸ Utting (1992:198) quoting Jaime Wheelock, suggests that "traditional work norms had fallen by... 40%.. by the mid-1980s.

Figure 7.14
Nicaragua: Evolution of Total Sugar
Production in Thousands of Quintales
(1979/80 to 1989/90)

Source: CIERA (1989) Volume 9,
 pp.78: Table 32.

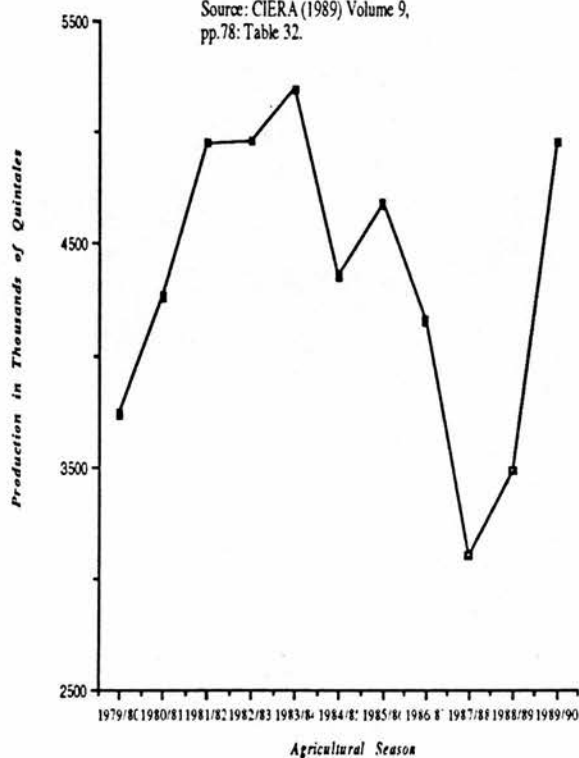
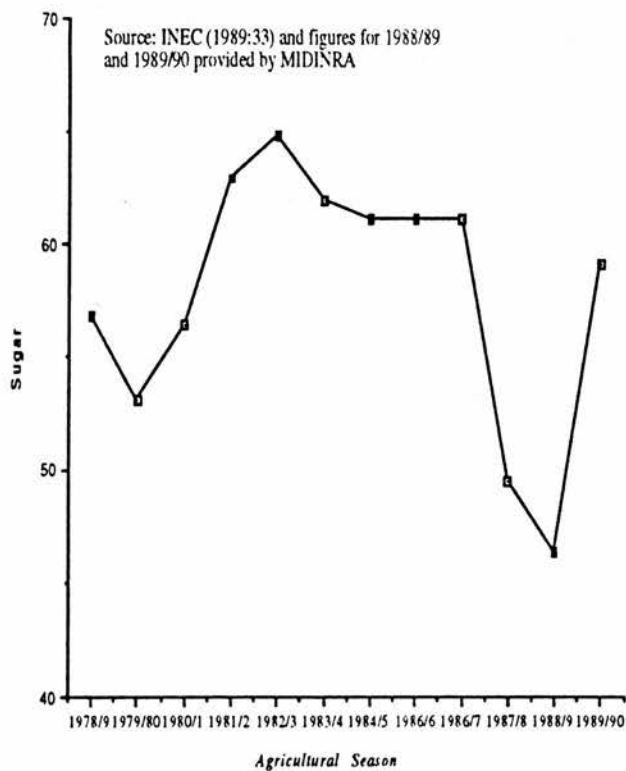


Figure 7.15
Nicaragua: Evolution of Sugar Cultivation in
Thousands of Manzanas (1978/9 to
1989/90)

Source: INEC (1989:33) and figures for 1988/89
 and 1989/90 provided by MIDINRA



volume of sugar exports in 1980, international prices had recovered from the low level of the preceding years, which allowed export values to increase slightly. The following year saw the expansion of both volumes and value, and the latter reached what would turn out to be its peak level for the whole revolutionary period, again reflecting high international prices. Between 1981 and 1985, however, export values consistently declined from a figure of over \$50 million in 1981 to under \$8 million by 1985. Part of this fall reflected the major crash in international sugar prices of this period, which by 1985 had reached their lowest level for twenty five years. Thus, despite the declining ability to earn exchange, export volumes had remained relatively steady between 1981 and 1984 before the sustained fall in prices finally produced a massive decline in export volumes in 1985. By this time, the export of sugar, which had previously been one of the most lucrative agricultural activities in Nicaragua (in relation to investment levels), only remained profitable because of the high levels of state subsidization. Between 1985 and 1987 international prices recovered, enabling the value of Nicaraguan exports to rise despite a further decline in export volumes in 1987. The following year, however prices crashed again, sending both export volumes and values to their lowest level for decades. The shifts in government policy from that year, together with a renewed improvement in international prices, finally saw the sector regain momentum with a massive improvement in both export values and volumes. The evolution of the total value and volume of sugar exports are shown in Figure 7.16, whilst Figure 7.17 details the evolution of international sugar prices.

7.4c(iii) The Search for New Markets:

As explained earlier, since the boom period of the 1960s, Nicaragua had exported the majority of its sugar to the US (practically 100% of Nicaraguan sugar exports were marketed in the US by the late seventies). With the loss of the US sugar quota, and the implementation of the trade embargo in the mid-eighties, however, there followed a sustained search for new markets. The newly formed national export agency, ENAZUCAR, therefore, had to negotiate new deals with other countries and international companies, in a search for a long-term alternative to the US market. In 1980 over 80% of exports were still sold in the US, with the remainder sold in the USSR. The following year the US market retained its importance, although an important deal was reached with

Figure 7.16
Nicaraguan Sugar Exports 1979-1990

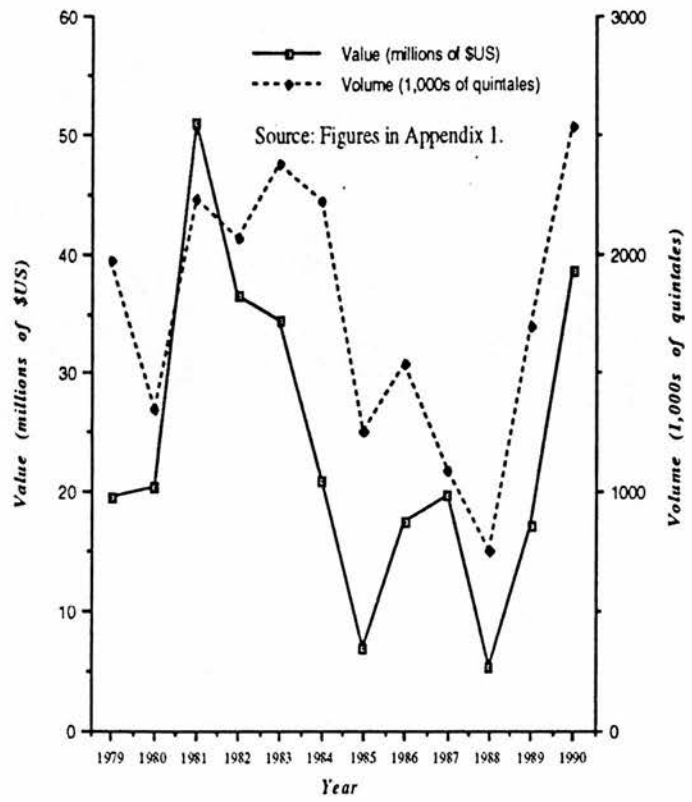
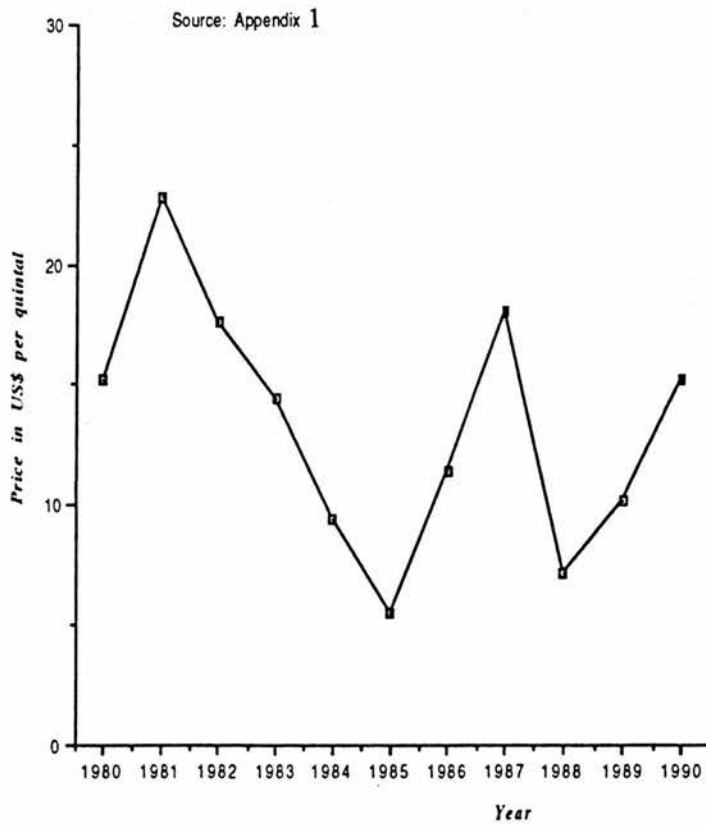


Figure 7.17
Nicaragua: Evolution of the Annual Average
Price received for exported Sugar
(1980-1990)



the Mexican government which accounted for 17% of exports. By 1982, the US share had fallen to 55%, with bilateral agreements with the Mexican, Dutch and Soviet governments accounting for the remainder. In 1983 and 1984 the US market regained its predominance, although a new outlet was found in Algeria. With the total loss of the US market in the following years new markets were found (in various years) in the EC, Sri Lanka, Pakistan, Libya, Iran and even Cuba, whilst Mexico and the USSR also continued to be important markets (Monserat, 1989:105, Martinez Cuenca, 1992:41 and Dubois et al, 1983:76).

7.4c(iv) The Role of the State:

Under the Sandinistas the processing of sugar largely passed into the hands of the state. Five of the ingenios were nationalized, including the three Somoza-owned ingenios and the Monte Rosa and Amalia, which had both gone bankrupt in the years leading up to the revolution. All of the state-owned ingenios were renamed after heroes from the revolutionary struggle and other earlier epochs of the nation's history; although the largest ingenio, the San Antonio, remained in private hands for most of the period. The state, which also gained lands from the expropriations enacted under the 1981 Agrarian Reform Law, found itself in control of an area of 23,918 manzanas and, at the peak of the harvest season, employed over two thousand labourers.

The technical nature of the work carried out in the sugar plantations led to the sector's workforce being organized under the CST (Central Sandinista de Trabajadores- the general workers' union) rather than the ATC (Asociacion de Trabajadores del Campo- the agricultural workers' union) in an attempt to forge a closer relationship between industrial workers and field workers (Garcia, 1990 and Whiteford et al, 1987:173).²⁹ The initial thrust of the FSLN's agrarian policy, which was geared toward the improvement of working conditions on the state farms and in the large private capitalist sector, was beneficial to the sector. Sugar workers were already relatively well organized, and a greater number were employed as permanent workers than in other sectors of the economy. The initial few years saw even greater numbers offered permanent employment, although as the sector collapsed in the mid-eighties,

²⁹ In fact the sugar sector had been the scene of some dispute between those organized under the pro-FSLN CST and those organized under the more radical Frente Obrero.

and the technification programme intensified, this process was reversed, in both the state and private sectors, as the total workforce declined.

Despite the expansion of the state sector, private sugar producers continued to grow cane and sell it to both the state ingenios and the San Antonio, which still remained of great importance, especially given the fact that it was only ingenio which could produce refined sugar. In the immediate pre-revolutionary period the San Antonio had processed about 46% of the cane produced in the country. During the initial revolutionary years this actually increased to the point where, in the 1981/82 cycle, the San Antonio accounted for about 53% of total production. Thereafter, the state sector's importance grew, although it was not until the 1985/86 cycle that the combined output of the state ingenios surpassed that of the San Antonio (Whiteford et al, 1987:76). In addition, despite a considerable investment in modernization, the state sector, by and large, continued to operate at a loss.

7.4c(v) The Shift Toward Domestic Production:

As was the case in the other export sectors, the marketing of sugar and molasses were nationalized in the first year of the revolutionary period, with the Ministry of Foreign Commerce (under the direction of ENAZUCAR) assuming responsibility for the export side of activities, and the domestic market being administered by MICOIN (The Ministry of Interior Commerce) through DIASA in the Pacific and DIZET in the Atlantic. In response to the declining international opportunities described above, there was a marked increase in the percentage of sugar marketed within Nicaragua during the revolutionary years.³⁰ Until 1981, the domestic commercialization of sugar remained relatively free of state control. In that year MICOIN introduced a series of quotas for producers, and state commercialization was expanded through the nationalization of the Compania Azucera Nacional (CANSA).

In these initial years the government looked to their investments in the state sector to expand the overall production of sugar, thereby increasing the supply for popular consumption without affecting export volumes. The price of sugar in the domestic market was fixed by the government at a level lower than the price paid to producers, resulting in the government subsidising consumption to quite a considerable degree, which also broke the traditional link between

³⁰ This was already at a level substantially higher than that in many other Latin American sugar producers (Whiteford et al, 1987:175).

international and domestic prices.³¹ By 1982, the domestic price was only 0.68% of the international level, although the prices paid to producers continued to be much higher.

The basic problem with this was that demand consistently outstripped supply as prices were subsidized at a fixed level. This meant that, by 1982, domestic consumption represented practically 60% of total sugar production as opposed to less than 50% in previous years, constituting a worrying loss of export revenue (Dubois et al, 1983:67-72). The subsidized prices meant that in 1982 Nicaraguans were consuming an average of 46 kg of sugar per person; a level of consumption equivalent to the majority of Western nations. The basic contradiction facing the FSLN in the sector is illustrated well in the following quote from Whiteford et al (1983:197, Note 13)

"Under the Sandinistas the pattern (the externally-stimulated nature of the expansion of the Nicaraguan sugar industry) was reversed: expansion has occurred due to the increase of internal demand.... The internal market has always represented a 'loss.' Thus, the government is confronted with a contradiction: it is bound by its revolutionary aims to provide at least minimal levels of sugar, a basic commodity, to the Nicaraguan population, and yet the increase of consumption has resulted in a loss of foreign revenues. The consequence of this has been government support of sugar production, and particularly of the private ingenio

Instead of allowing the expansion in domestic demand to fix a relevant price in the internal market to ensure a sufficient export quota, from 1982 domestic rationing was established (Sepulveda, 1984:69). This, nonetheless, largely failed to affect the balance between domestic and export production which was maintained at a similar level right to the end of the decade; Zapata (1989:53), for example, also reports a 60:40 ratio in favour of domestic production for the 1988/89 cycle. The chief means whereby the government tried to meet their commitments to both markets was, as suggested in the quote above, through the attempted modernization of the sector which was heavily prioritized in the national investment programme.

7.4c(vi) Attempts at Modernization:

³¹ It should be noted, however, that the domestic sugar market was never linked directly to the international market. For example the monopolistic position of the Lacayo/Pellas group and Somoza allowed them to fix prices which protected them from the vagaries of international market movements, passing them on to the producers (Dubois et al, 1983:17).

From the earliest years the FSLN looked to develop the technical capacity of the state complexes, thereby lowering their production costs and improving yields in an attempt to try to reverse the widening losses of the sector which had been caused by the insolvency of the state sector, the subsidization of basic consumption and the incentives offered private sugar producers through the availability of cheap imports and credit. To this end, up to 1984, US\$30 million was invested in the development of the state enterprizes in the sector. Except for the case of one of these ingenios, which opted to expand its installed capacity, the rest of this investment was geared toward rationalizing and modernizing the existing capacity, and in rebuilding capacity destroyed by the war. Through this process, by 1984, the state ingenios had equalled the yields achieved in the pre-revolutionary years, a performance which the San Antonio had been unable to achieve.³² This meant that the 40% higher yields that the San Antonio had achieved over the other ingenios in the period 1976-78 had been reduced to only 6% by 1982 (Sepulveda, 1984:71). Nonetheless, these improvements were not sufficient to ensure that the state ingenios produced without the need for state subsidization and any progress was only achieved at the cost of heavy financial losses.

There were several reasons behind this problem. Firstly, labour productivity had fallen sharply during the period, despite the improved wages (monetary and social) achieved by the workforce in these early years. Secondly, the declining availability of exchange, and the obsolescent nature of the productive capacity of the state ingenios, meant that the improved yields could not be maintained, still less improved upon (see discussions below). Zapata (1989:53) suggests that in the 1987/88 cycle the state ingenios were operating at about half their full capacity, and that if they had been able to operate at full capacity, average production costs would have been as much as 21% less.

³² For example the Ingenio Julio Buitrago recorded the highest yields of any ingenio in 1984. A level of 60.38 tons per manzana (the level in 1980/81 had been 46.72. Over the same period the sugar content of the ingenio's production had increased from 173.77 to 211.56 pounds per ton (Whiteford et al, 1987:177).

At a national level the comparative yields were as follows;

Cycle	National	State	San Antonio
1980/81	94.0	78.3	108.9
1981/82	99.1	94.9	102.9
1982/83	93.1	89.1	97.2
1983/84	102.0	98.5	105.6
1984/85	86.0	93.2	78.5
1985/86	91.5	95.3	87.2

(Whiteford et al, 1987:178)

Given the incapacity of the state sector to play the dynamic modernizing role assigned to it in the government's overall transformation strategy, the FSLN were dependent upon the productivity of the private San Antonio ingenio if they were to improve the overall level of production and the generation of exchange in the sector. To this end, in consort with the owners of the Ingenio, the state invested US\$110 million to expand its capacity by 20%. At the same time, in addition to the plans already underway for the modernization of the existing state ingenios, plans were unveiled for the extensive re-development of one of the mills, now known as the Victoria de Julio, as part of the Tipitapa sugar project in Region III. This mill was to be one of the most modern and mechanized sugar producing facilities in the world. The new mill came into production in 1984-85 and was built through cooperation (to the tune of US\$229) from countries such as the USSR, Switzerland, Spain, Cuba and Mexico. In 1985 the importance of the mill was further stressed, as under the onset of the US trade blockade, the other mills began to suffer serious shortages of spare parts for their machinery and had to search for new suppliers from Germany and Switzerland (amongst others).

Following the economic reforms of 1985, the subsidization of domestic sugar prices was abandoned, which represented a massive increase in the price paid for sugar by both consumers and those companies purchasing sugar for industrial usage (such as the production of sweets or alcoholic drinks). The period leading up to that point had been characterized by continuing and intensifying losses within the sector. By that time, the only ingenio producing efficiently was the San Antonio, which continued to count on much lower production costs. The losses of the sector were also intensified through the incentives given to producers through the multiple exchange rate system and the expansion of monetary incentives which consistently failed to produce a productive response (Sepulveda, 1984:71).

In facing all of these problems, and in response to a brief recovery in international prices, the government initiated a further investment scheme in 1986, which involved the purchasing of new machinery to tackle the particular problems of obsolescence, lack of spare parts and, through an increasing level of mechanization, the periodic shortages of labour. In addition, it was planned to increase the production of the Victoria de Julio to reach its processing capacity. As shown in the preceding discussions, however, despite the continuing high level of investment in the sector which this represented, sugar production continued to plummet until the 1988/89 cycle.

7.4c(vii) Sugar Production in the Various Property Sectors:

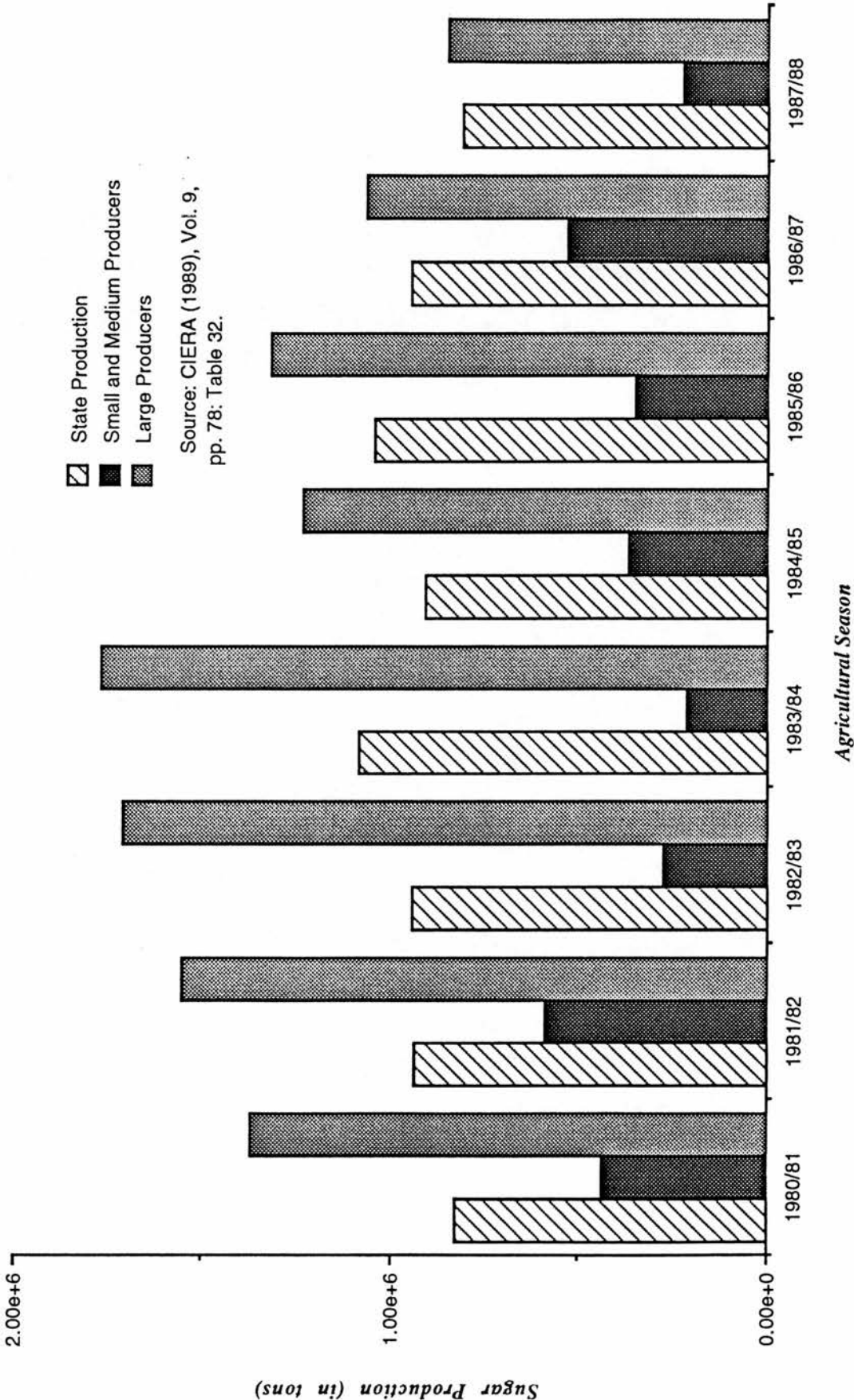
As has been suggested above, over the course of the 1980s, the State sector as well as expanding its presence in the processing of sugar cane, also gradually increased its share of sugar cultivation. Despite its continued weight in the processing of sugar, production levels at the private San Antonio mill gradually declined throughout the period, being characterised by poor management, a lack of investment, but also by a lack of attention from the state. Figure 7.18 shows the evolution of sugar production in each of the property sectors between the 1980/81 and 1987/88 cycles. The major trends revealed include: the relatively stable levels of production achieved on the state farms, the increase in production by the large capitalist sector up to, and including, the 1983/84 cycle and its subsequent rapid decline, and the periodic increases in small and medium-scale production (especially in the 1981/82 and 1986/87 cycles). The regional and sectoral composition of production in the 1980/81 and 1987/88 cycles are shown in Table 7.21. The major difference between the two cycles were the previously mentioned decline of large-scale private production and the collapse of small-scale production in Region IV. The biggest improvements in state production occurred in Regions II and III, although the substantial production in Region IV in the 1980/81 cycle had disappeared by 1987/88. Yields peaked in the state and large private sectors in the 1981/82 cycle, although thereafter the investment in the state sector, saw state yields consistently outperform those of the private sector. The yields achieved by small and medium producers were substantially lower, except for the exceptional 1986/87 cycle, when under the influence of the state's prioritization of small-scale production, a substantial increase in the total production of those producers was matched by impressive yields which equalled those of the state farms, and even surpassed those of the large private producers (Table 7.20).

7.4c(viii) The Economic Reforms of the Late Eighties:

By the 1987-88 cycle the sector was in a critical condition. In that year production at the San Antonio fell by a million Quintales leading to its nationalization during the following cycle (El Nuevo Diario 29th April 1989). Toward the end of the decade the six state owned ingenios became grouped together under one central administration which integrated all of the activities of the sector from the cultivation of the cane to the marketing of the sugar. Through this scheme it was hoped that production and productivity would be

Figure 7.18

Nicaragua: Evolution of Sugar Production by Property Sector (1980-1988)



Source: CIERA (1989), Vol. 9, pp. 78; Table 32.

Table 7.20 Nicaragua: Sugar Yields Achieved per Manzana
in Tons (1980/81 to 1987/88)

Agricultural Cycle	State Sector	Small and Medium Producers	Large Producers	National
1980/81	48.1	31.3	59.1	48.5
1981/82	56.3	38.7	53.6	50.6
1982/83	49.6	30.7	49.3	46.7
1983/84	55.0	27.0	55.1	51.3
1984/85	48.6	33.4	42.7	42.8
1985/86	49.2	36.5	47.5	46.3
1986/87	43.5	43.5	43.3	43.4
1987/88	42.9	30.2	38.3	38.8

Source: CIERA (1989), Volume 9, pp. 112-119: Tables 57-64.

Table 7.21 Nicaragua: Regional and Sectoral Composition
of Sugar Production during the 1980s

	1980/81				1987/88			
Production in thousands of Tons	State	Small + Medium	Large	TOTAL	State	Small + Medium	Large	TOTAL
Region II	312.5	137.1	1370.0	1820.0	340.8	99.2	849.2	1289.2
Region III	263.8	25.1	-	288.9	429.0	39.0	-	468.0
Region IV	200.0	239.7	-	439.8	-	66.0	-	66.0
Special Regions I and II	50.2	34.0	-	84.2	36.3	21.0	-	57.3
National	826.6	436.1	1370.0	2632.7	806.1	225.2	849.1	1880.5
Percentage	State	Small + Medium	Large	TOTAL (as % of national)	State	Small + Medium	Large	TOTAL (as % of national)
Region II	17.2	7.5	75.3	69.1	17.9	7.7	65.9	68.6
Region III	91.3	8.7	0	11.0	91.7	8.3	0	24.9
Region IV	45.5	54.5	0	16.7	0	100	0	3.5
Special Regions I and II	59.6	40.4	0	3.2	63.4	36.6	0	3.0
National	31.4	16.6	52.0	100	42.9	12.0	45.2	100

Source: CIERA (1989), Volume 9, pp.112, 119: Tables 57, 64.

increased and management would be more effective and streamlined. In addition the creation of CONAZUCAR helped to coordinate and optimize the use of resources. The corporation had relative financial autonomy in that it was able to make use of the resources generated in the sector for investment within the industry in itself, rather than dependent upon the whims of the national financial system. In fact, despite the imposition of tighter credit restrictions in the 1989/90 cycle (this represented a decrease of about 6% in the state's financing of sugar production) there was finally a turn around in production in that cycle with total production outstripping that of the year before and productivity well up. This improvement was largely based upon the productivity of the San Antonio and German Pomares ingenios (El Nuevo Diario 25th February 1990).³³ The newly nationalized San Antonio expanded its processing activities from 4,000 tons per day to 6,500 in its first year of operation.

Despite the advances made in the final couple of years the sector still faced severe problems, although their intensity varied from ingenio to ingenio. The ingenio facing the severest problems was the Camilo Ortega in Special Zone Two. Here, production was extremely inefficient, with the use of plant that was already practically obsolescent at the time of the revolution and extremely high production costs due to the same equipment problems, its geographical location and problems of labour productivity. Nonetheless, because the ingenio was one of the chief productive activities of the region, it continued to produce and was ostensibly subsidized by the more profitable ingenios. Other more generalised problems continued through the lack of spare parts for the processing and cultivation machinery, transportation shortages and labour productivity. Some attempts at the modernization of the productive apparatus continued in these latter years, especially in the ingenio Benjamin Zeledon. One of the problems this caused, however, was that the continued mechanization intensified the growing problems of unemployment. For example, the 1988/89 cycle saw the total number of permanent and temporary workers employed by the Benjamin Zeledon fall by nearly half, in comparison to the previous cycle, despite improved production levels (Ramirez, 1990, Zapata, 1989:63 and Aburto and Chavarna, 1989:27)

³³ Jaime Wheelock suggests in an interview in Barricada (July 17th 1989) that if the San Antonio had not been nationalized it would have closed and stopped producing during the 1988/89 cycle. Production practically doubled in the year after nationalization.

7.4d Conclusions:

The experiences of the sugar sector during the 1980s provide a number of similarities to those discussed previously in relation to the beef sector, in particular, through the domestic orientation of a large section of production. The Sandinistas had to face the contradiction of their simultaneous desire to expand popular consumption and export revenues in the sector. For an initial period, reflecting deliberate policy decisions and the incidence of depressed international prices, domestic production grew at the expense of export revenues, as the government prioritized the meeting of the increasing levels of domestic demand. Eventually, given the importance of the sector in the generation of exchange, despite the adverse evolution of international prices, the state had to abandon its subsidization of domestic consumption and turn its attention to increasing exports. It was not until the end of the decade that this was finally achieved.

Earlier, the government had attempted to side step the problem by investing heavily in the state farms and sugar mills in an effort to increase overall production levels and efficiency, in the hope that basic necessities could be met without the need to sacrifice export revenues or vice versa. Despite the massive injections of capital, however, the state farms barely managed to maintain production levels, and whilst the productivity of the state ingenios was improved, they remained hostages to the limited supply of spare parts and other inputs and were plagued with problems of labour productivity.

7.5 Concluding Comments:

This chapter has focused in some detail upon the productive performance of each of the major traditional export commodities during the revolutionary period. Many of the general processes at work in the sector, which were outlined in Chapter Six, have been observed, although their relative importance has been seen to have varied from sector to sector. In each case, the key importance of external factors (such as the trade embargo and declining international prices) and the war in explaining the terrible productive record of the sector during the 1980s has been stressed. In particular, the factors concerning international price movements and the impact of the trade embargo go a long way toward explaining the collapse of cotton production which occurred in the latter part of the decade, as well as the periodic declines in sugar production; whilst the intensification of the war seriously affected many of the most important coffee growing regions. Nonetheless, despite these factors, even a cursory review of the evidence presented here suggests the importance of the evolution of the economic policies of the government and how they interacted with both the evolution of external circumstances and the changes in the social relations of production which were initiated under the revolutionary process.

In each of the commodity sectors the initial revolutionary years saw something of a recovery in total production levels, although the performance of the different property sectors was not constant. This first period saw productive responses from both the peasant and capitalist sectors, in the former case particularly in the production of coffee and, to a certain extent, cotton, and, in the latter, mainly in the production of beef (reflecting a widespread process of decapitalization) and cotton. The response of the peasant sector reflected the relative erosion of the exploitative relations with intermediaries, financial and commercial capital and the large capitalist sector, under which they had previously existed, as well as much improved access to finance and producer inputs. The capitalist sectors also gained from access to cheap credit and subsidized inputs, as well as monetary incentives, although these often proved insufficient to encourage a return to pre-revolutionary levels. The period also saw the construction and prioritization of a state farm sector, although given its weight in the distribution of resources its productive performance was disappointing reflecting managerial inexperience and labour productivity problems.

As time went on, however, it was observed how the government faced increasing contradictions in its handling of the relationship between the various sectors and the evolution of its economic policies. In the beef and sugar sectors the government attempted to expand popular consumption without affecting the generation of foreign exchange. In both cases, the only way to achieve this was through attempts to increase overall production levels. Unfortunately, given the intensifying military situation such expansion was to prove elusive and the provision of incentives to the peasant, and especially the capitalist, sectors and the prioritization of the state farms, failed to generate the hoped for productive responses. In effect the subsidization of consumption, when coupled with the provision of guaranteed (albeit relatively low) prices and subsidized access to imports, was a key factor in the generation of the massive imbalances in relative prices and the escalating growth of public deficits, which eventually led to the necessity of the stringent austerity measures of the final years of the decade.

In more general terms each of the property sectors were faced with their own particular problems within each of the commodity markets. The state farms were the recipients of the major part of the investment programme in the export sector (especially in the beef, sugar (although the private San Antonio Ingenio was also prioritized) and coffee sectors. Despite general improvements in the yields attained in most activities, the state farms and industrial complexes were, however, as suggested above, subject to serious labour productivity problems, an over-centralized administrative bureaucracy which made it difficult for managers (also extremely inexperienced) to respond to changing circumstances and also limited the amount of worker participation in decision making and, in many cases, they were to continue operating at an overall loss.

The lack of participation of the large private sector has been open to various interpretations. On the one hand, it could be suggested that the low levels of private investment, and the increasingly poor productive performance of the larger capitalist farmers, throughout the decade reflected the overarching presence of the state in the economic life of the country; imposing limits on the private profits to be made from agricultural activities, through its control of external commercialization and access to imports, credit and other inputs, as well as its extensive role in the setting of relative prices, in particular exchange rates and guaranteed prices. Nonetheless, on the other hand, the state did act to provide extremely cheap access to imports and offered guaranteed prices to offset the risks to private capital. In addition, policies were also geared to ensuring the low cost of labour through the limiting of wage increases (made

possible through the state's attempts to improve the 'social wage' through the expansion of basic social services). As such, the refusal of large sectors of the capitalist landowners to invest, or even to maintain production levels, has also been interpreted as a deliberate decision to act against the government.

As for the peasant sector, production of cotton and coffee in particular had expanded in the immediate post-revolutionary years through the expansion of credit supply and the other measures detailed above, as well as the redistribution of a certain amount of land. Nonetheless, such producers were consistently undervalued in government circles (reflecting a lack of prioritization in the allocation of resources), yields remained relatively depressed and the marginal nature of much peasant production meant that many producers faced severe transportation difficulties, as well as the same lack of sufficient incentives facing the larger private producers. Even the turn toward peasant production that occurred in the years from 1985 was primarily aimed at the expansion of basic grain production, although the cooperative production of coffee and cotton was also prioritized, and did little to encourage export production amongst the peasantry.

The pro-export nature of the economic reforms of 1988 and 1989 finally affected an improvement in most commodities (the major exception being cotton) but, by that time, the sector was in a terrible condition. The benefits which the revolution had initially brought to the agricultural labourers of the sector, as well as the cooperatives and individual smallholders producing export crops, had largely been reversed and the basis for the recovery was largely to be found in the intensified exploitation of labour made possible through the severe shortage of alternative employment activities, and the provision of incentives to the large capitalist sector. The competing perspectives on these issues are returned to in the concluding chapter.

Conclusions:

"The great achievement of the Sandinistas is that they enhanced democracy in Nicaragua not only by permitting free elections but also by creating and expanding the physical and institutional conditions for popular participation on many levels. But in the end, their economic policies impeded a continuation of these achievements." (Dijkstra, 1992:xii)

The preceding discussions of the performance of the Nicaraguan economy during the 1980s have shed light on many of the issues explored in the general debates about the struggles for 'peripheral' socialism, and the contemporary problems facing the Latin American Left, which were considered in Chapter Two. Accordingly, these concluding thoughts review the experiences of the FSLN in government, placing them within the context of the defeat of their defeat in the elections of February 1990 and the wider issues suggested above. They also provide a few tentative comments upon the position facing the FSLN, following their fall from power and the future prospects for the popular sectors in Nicaragua. This reveals some of the problems involved in attempts to mobilize support for popular alternatives to Neoliberalism in the region; albeit under somewhat unique circumstances, given the relationship between the FSLN and the Chamorro government (see below).

The Electoral Defeat:

About a month after arriving in Nicaragua in June 1989 I attended celebrations held in Managua to mark the tenth anniversary of the revolution. At that time, there had been a definite air of optimism within the FSLN. At last it seemed that the war was more or less over and the Frente saw the elections, scheduled for the following February, as a means of securing international legitimation and support for their mixed economic strategy and obtaining the internal and external political stability (and external resources) needed to successfully achieve economic recovery. On the morning of the 26th February, the following year, Nicaragua woke up to what had seemed unthinkable. A haggard Daniel Ortega appeared on television at 6 am recognizing the defeat of the FSLN in the elections. The UNO (Union Nacional Opositora) presidential candidate Violeta Chamorro had received nearly 55% of the presidential vote to Ortega's 40.8%; whilst UNO had won 51 seats in the National Assembly compared to the 39 of

the FSLN (Brown, 1990).

The Sandinistas were profoundly shocked by the election results, as were the vast majority of Nicaraguans and outside observers, including the US administration and even the victorious UNO coalition itself. Most prior indications had suggested an FSLN victory at the polls. The more rigorous of the pre-election opinion surveys had generally pointed to a comfortable, if reduced (when compared to the 1984 elections), FSLN majority; whilst the UNO election campaign had degenerated into internal bickering and allegations of corruption, which had culminated in a fist fight at an election rally. Internal political tensions had also caused other problems, with one of the largest parties, the Social Christians, pulling out of the alliance in the early stages of the campaign. Finally, a vicious struggle over the presidential nominations had nearly broken the back of the coalition. The FSLN, for their part, had consistently attracted massive numbers of people to their election rallies and anyone who had been at the end of campaign rally in Managua days before the election (along with 500,000 Nicaraguans and the Jamaican reggae star Jimmy Cliff) could not have had many doubts about what the results in a few days time were going to reveal.

In the years which have followed the elections, and the relatively peaceful transfer of power, many interpretations of the FSLN's defeat have been attempted, both within the FSLN (and more generally in Nicaragua) and in a myriad of external publications and debates. This is not the place for a detailed discussion of all of these issues (for detailed studies see Vanden and Prevost, 1992; various post-electoral editions of *Envio*, *Barricada Internacional* and *Pensamiento Propio*; Gonzalez, 1990; Booth and Walker, 1993; Smith, 1993; Selbin, 1993; Robinson, 1992 and Vilas, 1990a). Instead, the context of the defeat will be used to explore the significance of the economic experiences of the Sandinistas which have been detailed in the preceding chapters. Whilst recognizing that any explanation of the defeat of the FSLN in the elections which only made reference to the effects of economic policy would be, at best, partial, an analysis of the evolution and differential performance and effects of the FSLN's economic policy does shed light upon several of the factors which contributed towards the erosion of popular support for the regime and their wider significance.¹

¹ Amongst the other factors considered to have had effects upon the outcome of the election were; the triumphalist and rhetoric-laden style of the FSLN's campaign, the heavy US interference, the threat of continued military aggression from the US in the event of an FSLN victory, the inability of the FSLN to do away with military service, the Nicaraguan fear of

Lessons from the 1980s:

The growing poverty and misery brought by the economic crisis meant that arguments concerning its underlying causes, and the types of strategies that would be successful in overcoming it, were pivotal to the election campaign. Given the terrible condition of the economy it was natural for UNO to devote much of their campaign to attacking the FSLN's economic competence. Indeed, it could be suggested that the FSLN's defeat indicated that UNO had managed to mobilize opinion within a large enough section of the electorate that the influences which had contributed most towards their declining economic situation were to be found in such internal factors as; high levels of corruption and ineptitude within the FSLN, the inefficiencies of an unproductive 'resource-hungry' state sector and the limits imposed on individual economic freedom. Others, even if they accepted the validity of the FSLN's argument that the economic crisis was unavoidable given the external conditions, were unable to see how the FSLN would be able to produce any way out of the economic crisis that they faced. UNO for their part, due to their close relationship with Washington, were able to promise a rapid economic improvement, via the inflow of significant foreign resources, the lifting of the trade embargo and an end to the malpractice and ineptitude they claimed to represent FSLN economic policy. Their economic plan promised, amongst other equally unlikely claims, to end inflation within 100 days, a possibility which was grasped at by a desperate and disillusioned electorate.

The FSLN, on the whole, tended to attribute the development of the economic crisis to external factors, such as the effects of the military and economic aggression of the US and the adverse international economic situation (although they also placed emphasis upon the unproductive attitude of the large capitalist agro-export producers). Following the elections, however, there has been a greater recognition of internal economic errors and misconceptions and an acceptance of their role in a gradual process of alienation from the revolutionary process amongst the popular sectors. Thus, although it is beyond doubt that, as argued by the FSLN, the military and economic aggression exerted by the US played a major role in the development of the intolerable material situation facing the Nicaraguan people (and, indeed, was intended to make life so difficult for

continuismo (inveterate electoral practices leading to the continued rule of one particular group)- a legacy from experience of the practices of the Somozas, and the existence of a punishment vote against those associated with the FSLN who had benefited from the trappings of political power. I explore these issues further in Brown (1990) and Brown (1993b)

the majority of the population that they would be forced to choose between material survival and 'Sandinismo') this is not in itself enough to explain either the electoral defeat of the FSLN or the gradual process of alienation noted above (see Gonzalez, 1990). The revolution had been realized and consistently defended under such stringent conditions and, in the early years of the war, had continued to inspire the support of the Nicaraguan people throughout the extreme hardship that it entailed. The gradual alienation that developed within parts of the FSLN's support stemmed from the way in which the FSLN dealt with the contradictions of its chosen model of development as the external aggression placed it under increasing pressure (See Gonzalez, 1990).

In particular two factors can be stressed. Firstly, there appears to have been some degree of confusion within the FSLN concerning the role of mass organizations. Over time, in response to the worsening economic and military situation, these organizations, rather than representing particular group interests, through participation in decision-making, became, in essence, another arm of the state, via their role in the distribution of state subsidies and the dissemination of information from the government. Secondly, popular confidence in the concrete benefits of 'Sandinismo' became increasingly difficult to maintain in the face of *"the material reality of unrelenting war, food shortages and the deterioration of health and education."* (Rowe and Schelling, 1992:183).

Whilst it is extremely important to understand the relationship between the FSLN and the mass organizations and its effect upon the undermining of the hegemony of the revolutionary project, the major focus of attention of this study has been upon the second of these aspects, the failure of the FSLN to meet the material needs of the Nicaraguan people.² Thus, the preceding chapters have charted the evolution and effects of the FSLN's economic and agrarian policies during the 1980s, in the context of the external factors which buffeted the economy over that time. Given the inherited structural dependence of the Nicaraguan economy upon the earnings which it receives from the export of primary commodities, attention has been focused upon the performance of that sector as the key to understanding the contradictory dynamics of the revolutionary process. It has been shown how the FSLN consistently failed to

² The two points are, however, related, in that the failure of the FSLN to consolidate its relationship with the mass organizations meant that the economic crisis had more serious effects upon popular support for the regime than might have otherwise been the case. Thus, as time went on, it became more difficult for the FSLN to convince the populace that their declining economic situation was due to the effects of the external aggression, and opposition forces were able to capitalize on the growing levels of dissatisfaction.

generate sufficient foreign exchange to fund their programmes of structural transformation and the provision of extended social services, and that the poor productive performance of the export sector was a major factor in the escalating economic crisis which characterized the revolutionary period. The ever-present need to guarantee export revenues seriously limited the FSLN's policy options toward the meeting of their social and political objectives and the economic transformations which they wished to instigate. The analysis of these problems, outlined in the preceding chapters, suggests a number of conclusions of wider relevance.

Firstly, the Nicaraguan experience provides further evidence of the inadvisability of highly centralized technocratic state-led development strategies for 'Peripheral Socialist' regimes (see the discussions in Chapter Two), especially in the context of a political programme which aimed at satisfying the demands of a broad range of interests. The state simply did not have the administrative capacity, or the detailed information necessary, for such a strategy to be successful. Chapter Four outlined in some detail how the attempt by the state to directly control the macroeconomic arena, through the setting of exchange levels, guaranteed prices and the subsidization of consumption, played a major role in the evolution of the severe economic disequilibria which characterized the revolutionary years; whilst the attempts to substantially modernize the productive structure of the economy (as the basis for future, more articulated, growth), through a large scale programme of investments in the state sector, tied up resources for long periods of time without achieving the necessary immediate, or even medium term, productive responses.

Secondly, the state-led economic strategy was combined with a political strategy which prioritized the pursuit of national unity. This strategy influenced the development of economic policies which attempted to simultaneously meet the needs of all of the major sectors of society (a form of populism as it were). This proved both economically and politically infeasible. The problem was that the government attempted to depoliticize the handling of economic policy, through the idea that the state could direct economic processes in a way which would serve 'the logic of the majority,' thereby avoiding conflicts between the various sectors upon which the revolutionary alliance had been forged; as if the basis for class struggle in Nicaragua had somehow been destroyed by the apparent triumph of the working classes through the revolution. Thus, although the continued existence, and even prioritization, of the large capitalist sector was seen as unavoidable by the FSLN (because of the productive weight, and

technical efficiency, they thought the large estates represented, and the impossibility, at least in the short term, of extending state control over the economy further), the breaking of their monopoly over political power would mean that their continued role in production would, ostensibly, be subservient to the needs of the 'people.' Nonetheless, such a dependence upon the private sector was politically dangerous as well as somewhat naive. To imagine that the private sector would continue to produce efficiently when deprived of their political power, or their means of coercion over the labour supply, was unrealistic. Over time, the continued prioritization of capitalist producers saw the development of expanding budgetary deficits, as the FSLN attempted to stimulate private production (through incentives and the manipulation of prices) and yet consistently failed to achieve a productive response.

Thirdly, despite the failings of the state-led strategy of the early revolutionary years, the attempts to reorientate economic and agrarian policy in the latter part of the 1980s imposed their own problems. Despite relative improvements between 1985 and 1988, the somewhat heavy handed nature of the state bureaucracy's approach toward the peasant sector (and its lack of prioritization in the distribution of resources) had, by the mid-1980s, already alienated many smallholders and had been a major factor in the drift of many peasants into the ranks of the Contra. The imposition of the economic reforms in 1988 and 1989 then served to escalate the problems faced by such sectors, especially through limitations imposed upon their access to credit; although the impact of the liberalization measures also fell heavily upon the salaried workforce (especially in the industrial sector) and the informal urban sectors. At the same time, the level of relative inequality showed a marked increase as the popular sectors were disproportionately affected by the attempts to induce contractions in demand; whilst the provision of incentives to the capitalist sector were expanded upon and the gap between the highest and lowest paid public sector workers increased.

Nevertheless, notwithstanding the recessive impact of the economic reforms, some commentators have argued that, in the medium term, the major beneficiaries of the processes of liberalization and de-bureaucratization, instigated by the reforms, could have been the small and medium peasantry (especially those involved in the production of export crops such as coffee, beef and sesame). In the short term, however, as the discussion above has suggested, small-scale export producers suffered seriously from the erosion of previous benefits. Ultimately, the lack of prioritization and distribution of

resources to the peasant sector, despite its productive weight even in the prioritized export sector, reflected the continued dominance of a technocratic modernizing vision within the FSLN, and their commitment to the medium-term maintenance of the agro-export led model of development and the economic structures which characterized it.

As Baumeister (1991) argues, however, even if the continued importance of agroexport production was unavoidable, it should not necessarily have meant the prioritization of the largest, most capitalized, producers (and the state farms), given the productive structure of the sector. There can be no doubt that there existed a continuing necessity for the generation of exchange earnings, but one of the major lessons of the revolutionary period is that the prioritization of export production need not necessarily have involved the prioritization of the technically advanced production units of the APP and the private sector. The experiences of the coffee sector, and the impressive yields attained in cotton production by cooperatives during the early revolutionary years (before the overall collapse of the sector), suggest the possibilities for efficient productive responses to appropriate stimuli on the part of small and medium-sized producers of primary exports. Unfortunately, the growing realization of the importance of smallholder production in the sector was not accompanied by a major shift in the allocation of resources. Even the changes in agrarian policy which occurred in the years following 1985 were primarily designed to expand the production of basic grains (and there were some successes in the meeting of that goal). However, it may well have been more astute to have also given greater impetus to peasant production of export crops during that period. The lack of measures designed to achieve this (despite the acceleration of land redistribution) meant that smallholders and cooperatives were not well placed to take advantage of the shift in policy toward the export sector involved in the economic reforms of the late eighties, even though theoretically they should have gained from the measures. When this was combined with the increasing social differentiation that occurred in the latter revolutionary years it became increasingly difficult for the government to justify the liberalization of economic policy or the elevated salaries of the higher levels of the state bureaucracy. As argued by Peter Marchetti, commenting on the evolution of the reform programme in 1989;

"What is lacking is a programme for economic reactivation that leads workers and peasants to increase production, demonstrating in practice a positive relationship between economic control of the process and improvements in production. There is no means for the masses to progress from the self-management by workers and

peasants cooperating in popular productive programmes that permits the participation of workers and peasants in decision-making about productive and social investment and the distribution of surpluses. Without a more effective programme of this type, there is no means of overcoming the confusion of the militants and the masses about the adjustment programme. Without a more effective reactivation programme one cannot really justify the salaries which the technocracy (state administrators) earn.

The only economic justification of social and salarial differentiation is efficiency. The only ethical justification of differentiation is its investment in a process that produces more equality. And the only means of assuring more equality is to increase the participation of the workers and peasants in the management of the means of production." (Marchetti, 1989a:4)

In more general terms, therefore, although the Nicaraguan experience provides an example of the limitations of state-led socialist development strategies, it also shows the political problems imposed by the sustenance of a private capitalist sector and the problems imposed by the reintroduction of market mechanisms and their use in determining the organization of production. This raises the question as to what remained, by the end of the decade, of the FSLN's original plans for the transformation of Nicaraguan society, as the state's role in the direction of economic processes began to be cut back and the need for economic recovery saw the increasing prioritization of the larger producers.

In some ways, the reforms of the late 1980s represented the logical outcome of a development strategy which had prioritized alliances with the capitalist sector (over the urban and rural labouring classes, the peasantry and the informal sector) and which had tried to allow for their profitable reproduction; thereby imposing political and financial limitations on the scope of transformation. The attempts to ensure the profitability of capitalist production were less constraining in the early revolutionary years because of the attempts made to simultaneously meet the needs of all the major sectors of Nicaraguan society. As the decade wore on, however, and resources dried up, the government were forced to increasingly prioritize specific sectors in the distribution of resources.

Eventually, despite the shifts in policy which occurred in the mid 1980s, this meant that particular sectors of the popular classes (especially the poorest sectors of the peasantry and the salaried workforce) increasingly shouldered the costs of the provision of incentives to the large producers. In particular, the reforms of 1988 and 1989 represented the strengthening of the implicit alliance with those capitalist producers willing to cooperate with the government; as the capitalist sector were able to reassert, to a certain degree, their control over labour as the

economic crisis intensified (Dore and Weeks, 1992a&b).

One of the problems with this line of argument is that it suggests that there were viable alternatives open to the FSLN in the formulation of both the initial expansionist policies and the later changes in direction and tends to ignore the external constraints within which decisions had to be made. There were of course compelling reasons behind the FSLN's policy decisions and once decisions had been taken they often precluded the ability to move significantly in alternative directions. For example, the implementation of the large-scale investment projects of the initial years seriously limited the resources which were available for the funding of alternative less technocratic strategies without wasting the resources which had already been committed to the large-scale projects. In addition, once it had been deemed politically, and economically, necessary to maintain capitalist forms of production (due to the geopolitical necessity of the maintenance of the private sector and the preservation of their technical and managerial skills), then conditions had to be conducive to their continued reproduction. How to ensure this, without compromising the longer-term goals of the revolution, was one of the major policy dilemmas which faced the FSLN throughout the revolutionary years, and one which ultimately remains unresolved.

Whilst the Sandinista revolution may not have led to the establishment of a socialist state in Nicaragua, the nation which the government of Violeta Chamorro inherited in 1990 exhibited marked differences from that of 1979. By the end of the revolutionary period, profound changes in the productive structure of the Nicaraguan economy had been achieved; 48.7% of agricultural land was by then in the hands of individual peasant farmers (including 18% who had received titles but no new land). Furthermore, the overthrow of Somoza has suggested to the Nicaraguan people the power which lies in collective action and organization, and the revolutionary period saw considerable developments in the mobilization and organization of the popular sectors and the establishment of a constitutional basis for the development of the first free and fair electoral system in Nicaraguan history.

Future Prospects:

One of the major questions which has been addressed in the years which have followed the 1990 elections relates to whether the fall of the FSLN represents the end of the revolutionary process. The appropriate answer would appear to

be, not yet. Much to the chagrin of the US administration, and the forces of the far right in Nicaragua itself, the government of Violeta Chamorro has proved to be extremely pragmatic, politically astute, and relatively independent in its thinking and actions. Its major achievements have been in the political sphere, through the successful demobilization of the Contra and the way in which its pragmatic political manoeuvring has avoided the highly polarized country from degenerating into civil war. After unsuccessful initial attempts to initiate a radical reversal of the changes which had been initiated during the revolutionary period (especially through legislation designed to return expropriated properties, be they agricultural, industrial or residential, to their previous owners), the government has pursued a policy of 'concertacion' (attempts to pursue policies through the building of consensus). Fundamentally, this has represented the realization of the importance to the political stability of the nation of the forty percent of Nicaraguans who voted for the FSLN in the 1990 elections and the organizational strength which the FSLN still represents. Such a pragmatic position quickly alienated the more extreme elements within the UNO alliance and a strong anti-government grouping has emerged which now dominates the UNO alliance itself and is pressurizing strongly for a more profound roll-back of the transformations wrought during the revolutionary years. This group is centred around the Vice-President, Virgilio Godoy. The major effect of this has been to push the government into ever greater cooperation with the leadership of the FSLN, upon whose support it often depends for the passing of legislation in the National Assembly; although, the ability of the FSLN to influence the direction of government policy should not be over-estimated.

The Search for an Alternative Economic Strategy:

Since the loss of the 1990 elections the FSLN has been faced with a series of major internal deliberations. In assessing the experiences of the revolutionary years, they could either claim that the failure of their original model of economic transformation was due to the external pressure put upon the revolution by the US aggression, or they could recognize the, at least partial, failure of their own strategies, and the way in which they responded to the pressures which unfolded. Since the elections just such deliberations have been occurring and are most starkly revealed in the internal struggles which have evolved over the formulation of alternatives to the Neoliberal policies of the UNO government and the need for a coherent economic strategy upon which to fight the next elections in 1996.

The economic programme which has been instigated by the UNO government basically represents the application of Neoliberal orthodoxy to the attempt to regenerate the Nicaraguan economy, but the interesting factor is that, apart from the question of relative speed, the measures of the new government really differ little from the FSLN's economic strategy of the years from 1988. The FSLN's success in righting relative prices was built upon by the new government, who succeeded in containing inflation and engineered a small consumer boom; achieved through the ending of the trade embargo and wide processes of financial liberalization. The fiscal deficit was brought under control but at the cost of large cuts in social spending, massive increases in the level of unemployment, and the continued collapse of productive activity and investment levels. In the years which have followed, the promised economic recovery has continued to prove elusive, and the popular sectors have found themselves facing dramatically declining living standards.

The combination of initially high levels of incoming resources with the government's frugal economic policies and the privatization and liberalization programmes were intended to produce a climate suitable for investment, encouraging economic reactivation through the freeing of market forces. Unfortunately, (and rather obviously) such aspirations largely ignored the political reality facing Nicaragua during this period, in that continued political instability has precluded any significant level of productive investment. Moreover, large tranches of the incoming resources have been misused through the purchasing of foreign luxuries and engagement in speculation by certain sectors of the business classes. Due to the confluence of all of these factors the Nicaraguan economy in 1994 remains in a state of virtual collapse. The debt repayment levels agreed with creditors remain onerous, export levels have failed to recover (reflecting a lack of leadership from the government in the stimulation of productive activities),³ whilst more recently declining access to promised external resources has led to continued cuts in credit allocations, public investment and social spending. In summary, whilst the UNO government has proved politically astute in its handling of the various opposing sectors of Nicaraguan society the implementation of their economic programme has seen the continued impoverishment of the vast majority of Nicaraguans (Envio, October 1993).

At present debate rages within the FSLN as to how far the UNO economic programme should be resisted and what alternative programme should be

³ Between 1990 and 1993 Nicaragua's external deficit represented something like \$2 billion

implemented were the FSLN to return to power in the 1996 elections. With regard to the former question, the discussions have tended to polarize between two extremes. On the one hand, some sectors of the party have argued that overall priority must be given to ensuring economic and political stability in the country. The dominance of this group within the FSLN's leadership can be seen from the way in which the FSLN have cooperated, and fostered a close relationship, with the new government, continuing the implicit alliance with the moderate sectors of the bourgeoisie consolidated in the 1988/89 reforms. This position suggests that in the new conditions emerging in Nicaragua the FSLN must transform itself into something of the semblance of a European social democratic party and that,

"If the FSLN did not free itself from 'old dogmas' it would risk undermining economic recovery and creating conditions from which only the right could benefit." (Patterson and Roulston, 1992:239)

On the other hand, others within the party (especially at the grassroots level) have argued that such a perspective had failed to learn the lessons of the period in government and accused the advocates of the other position of having totally capitulated to the apparent limits imposed by US imperialism. At present there remains a delicate balance between the alliance that appears to have been made with the ruling bureaucrats against the forces of the far right, and the traditional leadership that the party has given to the protection of the interests of the popular classes. This, in turn, represents the ideological struggle between the formulation of a coherent policy with which to fight the next elections and try to recapture state power, and the ostensibly more short-term pursuit of the interests of the popular sectors. Nonetheless, as the FSLN becomes increasingly associated with the government's failing economic programme, and the social costs it has entailed, it becomes further removed from its base of support. As expressed in a recent edition of *Envio* (September 1993).

"The FSLN are likely to pay dearly for the support given to Chamorro's economic policy over the past years, support they defend with the comment that, 'if we were in government, we would have to do the same.'..... Despite its ongoing rhetoric against Neoliberalism the Sandinista base has not yet exerted enough pressure to force a full internal debate that could lead to the design of a coherent and realistic alternative economic proposal."

This links into the second major issue suggested above, the search for a viable economic strategy which is sufficiently distinct from the UNO's programme to retain a popular, 'alternative,' character. Here there are two major problems for the FSLN. Firstly, the FSLN are likely to be tainted from the similarity of their final years in government to the economic programme of the Chamorro government and the implicit support which the party leadership has, on the whole (the major exception being the more radical position taken by ex-president Daniel Ortega), given to the government's economic policy. Secondly, there appear to be few alternatives emanating from either of the major positions within the party and it remains far from clear upon what economic programme the 1996 election campaign is likely to be run. One of the lessons spelt out from the analysis of the revolutionary years detailed in this thesis is that there will be no easy panacea to Nicaragua's problems of economic inequality and dependence upon external markets. Any attempts at formulating an alternative economic project for any future FSLN government will have to retain a healthy scepticism as to the speed and intensity of any processes of social transformation and the political limitations which this involves. The FSLN will face a similar array of problems as the current government in the formulation of a coherent economic strategy for the future. They will need to integrate the economy within the recent expansion of regional trade (see Chapter Five) but in such a way that it could be achieved without the costs to worker's rights and wages which the outward orientation of the integration process has involved up until this point. In addition, as has been argued throughout this thesis, the performance of the export sector will continue to determine economic growth rates for many years to come.

The FSLN and the Popular Sectors into the 1990s:

The assumption, during the revolutionary years, that the FSLN were the representatives of the popular classes suffered a serious blow in the electoral defeat (*Envio*, May 1990:28). To retain their credibility in the years which have followed, the FSLN have been forced to reconsider both the internal structure of the party itself (and the accountability of the leadership) and the relationship of the FSLN as a political party to the mass organizations of the popular sectors which they had at least helped to facilitate. Many of the grassroots organizations (e.g. the National Workers Front, the Communal movement and the women's movement) have in the years since the elections asserted a good measure of

independence from the FSLN and have been at the forefront of the struggle against the recessive effects of the economic policies of the UNO government, whilst the FSLN have, on the whole, passively looked on. Jacaranda Fernandez Mejia for example, the external relations officer of Fetsalud (the healthworkers union) speaks of the way in which the trade union movement has had to distance itself from the FSLN now that the party is out of government.⁴ The trade union movement is now fulfilling its role as the representatives of the workforce and not as the administrators of government policy as had largely been the case during the 1980s.

The abiding legacy of the revolutionary process in Nicaragua has proved to be the strengthening of the popular sectors, reflected in their organizational strength, as well as the structural transformations (such as the agrarian reform) which they have benefited from. In many ways the post-electoral period has seen the transformation of the revolutionary process away from the leadership of the FSLN as the popular sectors have exerted their independence from the party. As suggested by Selbin (1993:135);

" They (the Nicaraguan people) understood that the hard-won gains of the social revolutionary process were not tied to one organization, one program, or one person. Rather the gains of the revolution were based in them, the people."

It should be noted, however, that the growing independence of the popular sectors from the FSLN does not signify the abandonment of the Party by the masses. Most trade unions remain affiliated to the FSLN and the membership of the party has been greatly extended in the years since 1990. It remains to be seen, however, whether the FSLN has recovered sufficiently from the shock of the electoral defeat and has learned the hard lessons of experience to be able to mount a strong challenge for power in the 1996 elections or, if such a campaign were to be successful, whether it would lead to any improvement in the position of the majority of Nicaraguans given the economic and political crisis which continues to plague the nation.

⁴ From a conversation following a talk Jacaranda gave on 'Trade Unions and the New Situation in Post Sandinista Nicaragua' in Loughborough during Central America Week, March 1993.

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Appendix One

NICARAGUA: Export Composition (value in millions of US\$ and volume in thousands of units)

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
TOTAL EXPORTS	566.6	445.1	513.8	408.6	451.9	412.4	305.1	257.2	272.8	232.7	310.7	330.5
1. Traditional Exports	nd	nd	375.6	313.3	360.1	318.6	256.1	200.8	219.0	171.5	211.9	239.5
a) COFFEE												
Value	158.5	165.7	136.8	124.0	153.2	121.8	117.9	109.6	115.1	81.4	89.7	71.0
Volume (Quintales)	1204.0	1000.0	1132.0	1012.0	1418.0	891.0	868.0	673.1	813.0	733.6	733.6	848.7
Average Price	131.64	165.67	120.85	122.53	108.04	136.70	135.83	162.83	141.57	110.96	122.27	83.66
b) BANANAS												
Value	6.37	8.39	20.9	9.8	14.8	11.9	16.5	15.5	14.1	14.7	20.1	27.1
Volume (42 lb box)	5637.0	5694.0	4907.0	2276.0	4288.0	4168.0	4466.0	4321.4	3985.7	3859.1	4032.4	5227.3
Average Price	1.13	1.47	4.26	4.31	3.45	2.86	3.69	3.59	3.54	3.81	4.98	5.18
c) BEEF												
Value	93.5	58.6	23.1	33.8	31.4	17.6	10.9	5.3	12.8	13.4	46.0	56.9
Volume (Pounds)	78260.0	45052.0	20859.0	32047.0	31132.0	19825.0	10204.0	5769.0	15067.5	14619.0	48280.3	55667.7
Average Price	1.3	1.3	1.11	1.05	1.00	0.89	1.07	0.92	0.85	0.92	0.95	1.02
d) SUGAR												
Value	19.6	20.4	51.0	36.4	34.4	20.9	6.9	17.5	19.7	5.4	17.2	38.6
Volume (Quintales)	1974.0	1348.0	2232.0	2066.0	2376.0	2219.0	1250.0	1539.7	1091.8	751.4	1693.1	2531.0
Average Price	9.91	15.18	22.85	17.62	14.48	9.42	5.52	11.37	18.04	7.19	10.16	15.25
e) COTTON												
Value	135.7	30.4	123.4	87.2	109.5	133.8	91.0	44.2	44.9	50.6	28.0	37.2
Volume (Quintales)	2470.0	427.0	1627.0	1350.0	1724.0	1809.01	1457.0	1068.8	1106.6	756.6	539.2	535.2
Average Price	54.94	71.22	72.85	64.59	63.52	73.96	62.46	41.35	40.60	66.88	51.93	69.51
f) SEA FOOD												
Value	21.7	26.7	20.4	22.1	16.8	12.6	12.9	8.7	12.4	6.0	10.9	8.7
Volume (Pounds)	8301.0	7549.0	5534.0	4478.0	2921.0	2264.0	2581.0	1868.1	2190.1	1331.0	2106.1	1905.1
Average Price	2.61	3.53	3.69	4.94	5.75	5.57	5.00	4.66	5.66	4.51	5.18	4.57
2. Exports to Central America	nd	nd	70.8	52.1	33.5	37.0	24.2	15.5	20.5	20.7	50.6	47.0
3. Others	nd	nd	67.4	43.2	58.3	56.8	24.8	40.9	33.3	40.5	48.2	44.0

Sources: Consejo Monetario Centroamericano, Boletín Estadístico, volumes published in 1988, 1989, 1990, 1991 and 1992, INEC (1989)

Nicaragua: Diez Años en Cifras, Table II-12, pp.27.

APPENDIX TWO
Nicaragua: Percentage of Total Exports for Major Export Commodities (1961-1990)

Year	Cotton	Sugar	Coffee	Meat	Bananas
1961	26.2	4.0	24.9	8.1	0.5
1962	34.5	5.0	17.0	7.7	0.5
1963	37.3	5.6	16.4	8.3	1.3
1964	41.0	4.5	16.8	6.2	1.7
1965	44.2	3.6	17.1	4.5	0.5
1966	40.0	1.5	15.4	7.5	0.6
1967	37.8	3.9	14.3	8.6	2.2
1968	37.0	3.4	14.2	9.9	1.9
1969	28.8	5.3	13.6	13.5	1.4
1970	19.2	5.5	18.0	15.0	0.2
1971	22.2	6.2	15.7	15.4	0.5
1972	25.9	6.3	13.3	15.2	0.5
1973	22.7	4.9	16.0	16.0	2.0
1974	35.7	3.2	12.1	5.7	1.4
1975	25.5	11.4	12.8	7.2	1.3
1976	24.5	10.2	18.0	7.3	1.0
1977	23.7	4.4	31.2	5.8	0.5
1978	21.9	3.1	31.0	11.0	0.5
1979	24.0	3.5	27.9	16.6	1.1
1980	6.8	4.6	37.2	13.2	1.9
1981	24.0	9.9	26.6	4.5	4.1
1982	21.3	8.9	30.3	8.3	2.4
1983	24.2	7.6	33.9	6.9	3.3
1984	32.4	5.1	29.5	4.3	2.9
1985	29.8	2.3	38.6	3.6	5.4
1986	17.2	6.8	42.6	2.1	6.0
1987	16.5	7.2	42.2	4.7	5.2
1988	21.7	2.3	35.0	5.8	6.3
1989	9.0	5.5	28.9	14.8	6.5
1990	11.3	11.7	21.5	17.2	8.2

Sources: Author's own calculations based on the following sources; 1961-1969: BID-INTAL (1973) Volume 2 Annex 1; 1970-1979: CEPAL Economic Survey of Latin America, various editions; 1980-1990: Appendix 1

APPENDIX THREE
NICARAGUA: Average Annual Growth Rates of the Value of
Total Exports and Imports (Percentages)

YEAR	EXPORTS	YEAR	IMPORTS
1950-1960	7.4	1950-1960	9.1
1960-1970	11.9	1960-1970	11.4
1970-1975	18.5	1970-1975	26.2
1975-1980	3.1	1975-1980	3.7
1980-1981	11.1	1980-1981	12.6
1981-1982	-20.1	1981-1982	-21.6
1982-1983	5.6	1982-1983	7.6
1983-1984	-10.0	1983-1984	2.8
1984-1985	-21.8	1984-1985	0.1
1985-1986	-18.0	1985-1986	-9.2
1986-1987	21.4	1986-1987	15.3
1987-1988	-29.0	1987-1988	-1.7

Source: UNCTAD (1988) Handbook of International Trade and Development Statistics and CEPAL (1989) Economic Survey of Latin America and the Caribbean 1988: pp.461.

**APPENDIX FOUR: AGRO-EXPORT PRODUCTION FIGURES BY
CROP AND BY PROPERTY SECTOR**

NICARAGUA: Evolution Of Coffee Production By Sector (In Quintales)				
Year/Sector	State	Small/ Medium	Large	TOTAL
1974/75	-	-	-	890800
1975/76	-	-	-	1068200
1976/77	-	-	-	1102500
1977/78	-	-	-	1251200
1978/79	-	-	-	1263100
1974/78	-	-	-	1115200
1979/80	-	-	-	1228100
1980/81	182303	604781	497850	1284934
1981/82	211138	588448	528383	1327969
1982/83	336901	613078	618396	1568375
1983/84	225004	486363	358327	1069694
1984/85	310525	413303	391172	1115000
1985/86	184354	319346	265000	768700
1986/87	188647	495006	258347	942000
1987/88	151151	405955	282561	839667
1988/89				920000
1989/90				1076000
Source: CIERA (1989), Volume 9, Page 74, Table 30				

NICARAGUA: Evolution of Cotton production by sector (In quintales)				
Year/Sector	State	Small/ Medium	Large	TOTAL
1974/75	-	-	-	7998400
1975/76	-	-	-	7282800
1976/77	-	-	-	8159900
1977/78	-	-	-	9152500
1978/79	-	-	-	8152400
1979/80	-	-	-	1244700
1980/81	874781	697316	3306493	4878590
1981/82	885590	461490	2733919	4080999
1982/83	1253660	645696	3170780	5070136
1983/84	1332390	1301881	3056468	5690739
1984/85	1268484	1125324	2214837	4608645
1985/86	879797	765439	1704664	3349900
1986/87	945336	732516	1611185	3289037
1987/88	680500	433300	1086200	2200000
Source: CIERA (1989), Volume 9, Page 76, Table 31				

NICARAGUA: Evolution Of Beef Production (In Millions Of Tons)

Years	Production	Exports	Domestic
1974	66.6	34.6	32.0
1975	92.3	47.7	44.6
1976	104.0	57.4	46.6
1977	113.5	58.1	55.4
1978	139.1	74.9	64.2
1979	121.4	78.3	43.1
1980	103.7	45.1	58.6
1981	79.4	20.2	59.2
1982	112.8	32.0	80.8
1983	115.3	31.3	84.0
1984	111.8	19.8	92.0
1985	98.4	12.7	85.7
1986	62.3	5.8	56.5
1987	66.0	14.1	51.9
1988	72.2	22.3	49.9

Source: CIERA (1989), Volume 9, Page 298, Table 243

NICARAGUA : Evolution of Sugar production by sector

Year/ Sector	State	Small/ Medium	Large	TOTAL 1*	TOTAL 2+
1974/75	-	-	-	2277600	4175
1975/76	-	-	-	2858200	5349
1976/77	-	-	-	2666500	4878
1977/78	-	-	-	2734000	4612
1978/79	-	-	-	2980100	4669
1979/80	-	-	-	2364200	3740
1980/81	826627	436120	1369986	2632733	4261
1981/82	934879	583995	1550880	3069754	4953
1982/83	937195	273415	1712945	2923555	4958
1983/84	1081930	213912	1768321	3064163	5192
1984/85	905687	368882	1229731	2504300	4354
1985/86	1043138	351061	1315201	2709400	4674
1986/87	946093	527514	1068141	2541748	4153
1987/88	806139	225200	849157	1880496	3104
1988/89					3484
1989/90					4953

1*: - in Imperial tons

2+: - in thousands of quintales

Source: CIERA (1989), Volume 9, Page 78. Table 32

Appendix Five:

*The Agrarian Structure of Nicaragua's Regions*¹**Region I:** Esteli, Madriz and Nueva Segovia

This region is dedicated to the production of coffee (it is the second most important coffee growing region) and tobacco (producing all of the havana crop and a proportion of the white tobacco), some beef production, and is also an important national supplier of beans (a quarter of the national total) and other basic grains for domestic consumption. The region is dominated by small and medium producers, although there is also considerable export production on state farms and larger private holdings. The Region has been one of the more heavily affected by the war.

Region II Leon and Chinandega

For the first fifty years of this century, this region was dominated by the rearing of livestock, basic grain cultivation (it was the most important productive region in the country) and relatively advanced sugar production. Subsequently, sugar has continued to play an important role, but the peasant production of basic grains has been displaced to other regions of the country (with less fertile soils) due to the dramatic expansion of cotton production. The region is now the most important region with regard to the production of export commodities, with the most important national production of cotton (over 95% in 1987/88), sugar (nearly 70% in the 1987/88 cycle) and all the exported bananas of the country.

Region III Managua

The region of the capital city does have some agricultural activities. There is substantial sugar production (nearly 25% of national production in the 1987/88 cycle), as well as engagement in the cultivation of basic grains, cotton and coffee and the rearing of livestock, but it is dominated by its commercial and industrial functions.

Region IV Granada, Masaya, Carazo and Rivas

Historically this region has demonstrated a very high level of land concentration. For example in 1979, 70% of the farms of the area were of less than 10 manzanas, and yet these accounted for less than 5% of the total land of the Region (Barricada April 2nd 1984). Therefore, this region has been one where access to land has been of paramount importance. Accordingly, it has been one of the regions most affected by

¹ For the location of each of the Regions described see Map 4.

the agrarian reform process. The growth of coffee cultivation at the end of the last century originated in this Region, although it then spread in other parts of the country more rapidly, notably Region VI. The region is also an important producer of cotton (although production fell substantially during the 1980s), sugar, sesame and irrigated rice, as well as having a sizeable cattle sector and a certain amount of basic grain production. The most intensive land use occurs around Lake Nicaragua, where the most technically advanced agro-industrial production occurs, as well as some cooperative production of vegetables. The Coastal part of the region is dominated by the large ranches, whilst the region between the lake and coastal zones is given over to smallholder production of basic grains and livestock.

Region V Boaca, Chontales, Central and Eastern Zelaya

This region is the main cattle-rearing zone of the country and, even in 1983, still exhibited a high degree of land concentration (52% of the area in that year was controlled by large landowners). Nonetheless there is also a small amount of coffee production and a reasonable level of basic grain production.

Region VI Matagalpa, Jinotega

This is the main coffee producing region of the country (around 60% of national production in 1987/88). There is also a good level of basic grain production and some cattle raising.

Special Zone 1 The Northern Part of Zelaya

The largest region in Nicaragua, and also the most sparsely populated. Economic activities are generally related to mining and forestry.

Special Zone 2 The Southern Part of Zelaya

A certain amount of sugar production, some cattle raising and basic grain production, as well as plantain, and an important sector devoted to fishing and other marine activities.

Special Zone 3 Rio San Juan

This region is very sparsely populated but does produce basic grains, cacao, African Palm and some beef. There have also been a number of concessions granted to logging companies. The area was also affected by the southern conflicts of the Contra War. The region is extremely isolated from the rest of Nicaragua, being accessible by water alone for ten months of the year. Historically, the region has been an important

transit route and the source of much international interest in the possibilities of constructing an inter-oceanic canal. During the Somoza era, the region took on some significance in the expansion of export production and the provision of an agricultural frontier for those displaced by the expansion of export agriculture in the other regions of the country. This combination produced a highly unequal land distribution. There is a clearly defined frontier between the land turned over to productive purposes where the majority of the region's population are concentrated, and the relatively wild forested area now part of the 'Si a Paz' National Park and therefore a protected zone.²

² The discussion of the different regions of Nicaragua given here draws upon: CIERA, 1989:vol. 9; Muro et al, 1986 and Barricada 19/03/83, 20/06/83, 19/09/83 and 02/04/84)